



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Phil Goering, Mayor
City of Hickman
P.O. Box 127
Hickman, NE 68372

Dear Mayor Goering:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding questionable purchases made with the City of Hickman's (City) credit cards and the apparent lack of controls for the use of those municipal financial instruments. 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 obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

Background Information

The City of Hickman (City) is a city of the second class located in Lancaster County, Nebraska. 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.

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

Comments and Recommendations

1. Travel Expense Procedures

The City utilizes two credit cards to make municipal purchases. The APA obtained the City's credit card statements, along with related supporting documentation, for the period examined, November 16, 2022, through December 17, 2023. During that time, the City's credit cards, as well as expense reimbursements for purchases made with the personal funds of City staff, were used frequently to pay for travel expenses, such as airfare, meals, lodging, and other costs, that appear to have been related primarily to the attendance of City staff and City Council members at workshops, conferences, or other types of training events.

The following table summarizes 18 training events, together with the corresponding credit card charges or reimbursement amounts paid, that were attended by City staff or City Council members during the period examined:

Training/Conference	Begin Date	End Date	Attendees	Location	Cost
Utilities/Public Works Section Annual Conference	1/11/2023	1/13/2023	City Administrator; Director of Public Works; Mayor	Lincoln, NE	\$1,669.75
League of Nebraska Municipalities Midwinter Conference	2/27/2023	2/28/2023	City Administrator; City Clerk	Lincoln, NE	\$1,829.96
Nebraska Planning & Zoning Association Conference	3/8/2023	3/10/2023	City Administrator; City Zoning Enforcement Officer	Kearney, NE	\$1,361.56
Nebraska Rural Water Association Conference	3/13/2023	3/15/2023	City Administrator	Kearney, NE	\$1,207.64
Nebraska Municipal Clerk Institute & Academy	3/13/2023	3/17/2023	City Clerk	Kearney, NE	\$303.77
Association of Floodplain Managers Conference	5/7/2023	5/11/2023	City Administrator	Raleigh, NC	\$2,221.97
Municipal Accounting and Finance Conference	6/21/2023	6/23/2023	Former City Treasurer	Lincoln, NE	\$1,065.77
Nebraska City/County Management Association (NCMA) Annual Conference	6/28/2023	6/30/2023	City Administrator	Papillion, NE	\$361.54
NCMA Norway Trip – Note 1	8/5/2023	8/14/2023	City Administrator	Norway	\$1,526.32
HR Nebraska State Conference	8/16/2023	8/18/2023	City Clerk	La Vista, NE	\$1,070.33
League Legislative Meeting	8/24/2023	8/24/2023	City Administrator	Lincoln, NE	\$28.25
Wastewater Training Class - January 2023	1/31/2023	1/31/2023	3 Public Works Employees	Firth, NE	\$36.92
Nebraska Water Environment Association Wastewater Training – Note 2	3/6/2023	3/8/2023	Director of Public Works, 1 Public Works Employee	Hastings, NE	\$1,026.07
Wastewater One Day CEU Training	9/7/2023	9/7/2023	2 Public Works Employees	Omaha, NE	\$200.00
Work Zone Safety Training Workshop	9/21/2023	9/21/2023	2 Public Works Employees	Grand Island, NE	\$140.00
League of Nebraska Municipalities Annual Conference	9/27/2023	9/29/2023	City Administrator; City Clerk; City Council Member	Lincoln, NE	\$1,570.00
International City/County Management Association (ICMA) Conference	9/30/2023	10/4/2023	City Administrator	Austin, TX	\$3,068.35
Nebraska Floodplain and Stormwater Managers Association Annual Meeting	11/2/2023	11/2/2023	City Zoning Enforcement Officer	Lincoln, NE	\$20.00
Total					\$18,708.20

Note 1: The City received a \$1,500 reimbursement for the NCMA Norway Trip expenses from the League of Nebraska Municipalities.

Note 2: It appears the conference that was attended was the Nebraska Water Environment Association Wastewater Training. However, no conference registration was provided.

As shown above, conferences were attended both domestically and internationally. The City Administrator alone attended 10 out of the 18 events, traveling to such places as Raleigh, North Carolina, Austin, Texas, and even an event in Norway.

The City’s Employee Handbook contains the following policy for the use of municipal credit cards:

If a City employee requires use of the City credit card in the course of their employment, the City employee must see the City Administrator or Treasurer/Finance Director to obtain the card. The City credit card must be returned by the end of business the same day, along with an itemized receipt for all purchases made with the card. Permission for keeping the card overnight may be granted by the City Administrator or Treasurer/Finance Director. Expenditures for personal items are not allowed to be purchased with the City’s credit card, even if an employee plans to reimburse the City. Alcoholic Beverages are not allowed to be charged to the City credit card.

The APA’s examination of the credit card charges incurred, expense reimbursements made, and supporting documentation for training events attended revealed the following concerns.

Unreasonable Meal Expenses

Agendas were not included in the documentation received for most of the training events attended, making it impossible for the APA to determine if meals were provided at these events and whether any charges were made for meals included in the event registrations.

A blank pre-registration form was provided for the Nebraska Rural Water Association Conference that took place from March 13, 2023, through March 15, 2023. Based on the related credit card statements, the City paid \$395 to register the City Administrator for this conference. This transaction is shown in the table below:

Date	Vendor	Amount
12/30/2022	Nebr. Rural Water Association	\$395.00

Although the pre-registration form was incomplete, the \$395 registration fee paid matches the cost of the “FULL CONFERENCE (all meals)” option. The following image is an excerpt from the blank registration form:

DAYS ATTENDING	Member	Member after February 24	Non-Member	Non-Member after February 24
FULL CONFERENCE (all meals)	___\$395.00	___420.00	___\$420.00	___\$445.00
MONDAY (evening meal)	___\$100.00	___125.00	___\$125.00	___\$150.00
TUESDAY (lunch & evening meal)	___\$175.00	___\$200.00	___\$200.00	___\$225.00
WEDNESDAY (breakfast & lunch)	___\$125.00	___\$150.00	___\$150.00	___\$175.00

Since the City Administrator was registered for the full conference, which included “all meals,” no additional meal purchases should have been made during the conference. As detailed in the table below, however, one meal, totaling \$21.92, appears to have been purchased on the first day of the conference via a City credit card:

Date	Vendor	Amount
3/13/2023	Cunninghams Journal on the Lake	\$21.92

Note: This charge also exceeded the GSA per diem rate by \$6.92.

A good internal control plan and sound business practices include procedures to ensure that travel costs incurred by, and reimbursed to, City staff and City Council members are reasonable, necessary, and supported by adequate documentation.

Meal Expenses in Excess of GSA Rates

In addition, the APA noted that nine meals, including the questionable meal addressed above, purchased with a municipal credit card or reimbursed to a City employee exceeded the Federal General Service Administration (GSA) per diem rates. During the period examined, the City paid almost \$90 in total meal costs, which exceeded the amount allowed under the GSA per diem rate.

Those meal payments are summarized in the following table:

Date	Vendor	Location	Purchaser	Meal	Amount	GSA	Variance
2/27/2023	Miller Time Pub	Lincoln, NE	City Administrator & City Clerk	Lunch	\$39.96	\$30.00	\$9.96
3/8/2023	Cunningham’s Journal on the Lake	Kearney, NE	City Administrator	Dinner	\$28.38	\$26.00	\$2.38
3/15/2023	Domino’s	Kearney, NE	City Clerk	Dinner	\$44.87	\$26.00	\$18.87
3/16/2023	Angus Burgers & Shakes	Kearney, NE	City Clerk	Lunch	\$30.00	\$15.00	\$15.00
3/17/2023	Starbucks	Kearney, NE	City Clerk	Breakfast	\$18.86	\$13.00	\$5.86
5/12/2023	Marriott Raleigh Crabtree Valley	Raleigh, NC	City Administrator	Dinner	\$35.31	\$29.00	\$6.31
8/24/2023	Legendary Red Rooster	Ceresco, NE	City Clerk	Lunch	\$24.00	\$15.00	\$9.00
10/3/2023	Iron Works BBQ	Austin, TX	City Administrator	Lunch	\$29.17	\$16.00	\$13.17
Totals					\$250.55	\$170.00	\$80.55

Of particular note in the above table is the Domino’s dinner purchase on March 15, 2023, which consisted of two garlic bread twists, one medium pepperoni pizza, and one large beef pizza – considerably more than usual for a single diner.

The GSA has established a baseline that the APA utilizes to determine whether expenses are reasonable based on the specific travel location. The GSA per diem rates provide guidance for breaking down the cost of meals between breakfast, lunch, dinner, and incidentals. The GSA guideline is utilized by, among others, the State of Nebraska and the Federal government to determine reasonableness. In fact, the City’s own Employee Handbook includes the following provision in its “Travel” section:

Lodging, meals and incidental expenses of approved travel will be allowed up to the amount specified by the U.S. General Services Administration (GSA) Per Diem Rates or specific conference recommendation.

The U.S. General Services Administration Per Diem Rates will still apply for all purchases placed on the City's credit card.

A good internal control plan and sound business practices include procedures to ensure that meal expenses are reasonable based on the Federal GSA per diem rate and the City's policy.

Lodging Expenses in Excess of GSA Rates

The APA determined that lodging costs in excess of the GSA per diem rates were paid with the City's credit cards for five hotel stays. The City incurred over \$1,500 in lodging costs that were in excess of the GSA per diem rate.

The table below summarizes the excessive lodging costs paid:

Vendor	Location	Check-In Date	Check-Out Date	Room Rate	Total Actual Cost	GSA Rate	Total GSA Cost	Total in Excess of GSA
Hampton Inn	Hastings, NE	3/6/2023	3/9/2023	\$134.00	\$402.00	\$98.00	\$294.00	\$108.00
Hampton Inn	Hastings, NE	3/6/2023	3/9/2023	\$134.00	\$402.00	\$98.00	\$294.00	\$108.00
Hampton Inn	Kearney, NE	3/8/2023	3/15/2023	\$195.84	\$1,370.88	\$98.00	\$686.00	\$684.88
Courtyard by Marriott	La Vista, NE	8/16/2023	8/18/2023	\$125.00	\$250.00	\$98.00	\$196.00	\$54.00
Embassy Suites	Austin, TX	9/29/2023	10/4/2023	\$269.00	\$1,345.00	\$158.00	\$790.00	\$555.00
Totals					\$3,769.88		\$2,260.00	\$1,509.88

Note: The above amounts do not include taxes or fees.

In addition to establishing allowable meal costs, the GSA provides guidance for permissible lodging expenses. As mentioned previously, it is the City's policy to follow GSA rates for purchases made with its credit cards, making the City in violation of its own policy.

Under certain circumstances – such as when a conference has reserved a block of hotel rooms at a specific rate for attendees at the conference location – it would be reasonable to exceed the GSA lodging rate. However, this does not appear to be the case for any of the lodging costs listed in the table above. For the Kearney, NE, conference, a blocked room rate of \$134.95 per night was reserved at the local Crowne Plaza hotel. Despite exceeding the GSA rate, that amount was still \$60.89 less than the actual room rate of \$195.84 paid by the City at the nearby Hampton Inn hotel. As a result, the APA questions whether this and the other lodging rates were reasonable.

Good internal control requires procedures to ensure that lodging expenses are reasonable based on both GSA guidelines and the City's policy.

Inadequate Expense Reimbursement Procedures

While reviewing the expense reimbursement documentation obtained from the City for the training events attended by City staff, it was noted that the City lacks an adequate expense reimbursement process. Currently, the City requires only the submission of an itemized receipt – without any other supporting documentation, such as an expense reimbursement form or conference agenda, to legitimize the expenses – for reimbursement.

Good internal control requires procedures to ensure that all expense reimbursements are supported by a standardized form that specifies the following: the date the expense was incurred; the purpose of the trip/expense; the travel start and stop times; the travel destination; the meal(s) being reimbursed; the lodging information; and the number of miles travelled, which should be in accordance with the GSA mileage rate guidelines.

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

We recommend the City implement procedures to ensure 1) travel costs incurred by, and reimbursed to, City staff and City Council members are reasonable, necessary, and supported by adequate documentation; 2) meal expenses are reasonable based on the Federal GSA per diem rate and the City's policy; 3) lodging expenses are reasonable based on both GSA guidelines and the City's policy; and 4) a standardized expense reimbursement process, including the use of a form that requires specific information, is implemented to support all municipal payments.

2. Credit Card Issues

In addition to the travel-related credit card transactions addressed in the previous comment, the APA identified the following issues with the City’s credit card procedures:

Lack of Documentation

The APA noted that 18 credit card transactions lacked adequate supporting documentation, as the receipts provided were not itemized to reflect the purchase details.

The table below lists those transactions without itemized receipts, totaling \$4,028.11:

Date	Vendor	Amount
12/8/2022	Omaha World Herald	\$19.99
12/20/2022	NE Municipal Utilities	\$1,621.00
3/3/2023	Canva	\$119.99
3/7/2023	Barrel Bar	\$26.40
4/4/2023	MDSolutions	\$304.34
4/21/2023	HardwareSource	\$110.01
4/22/2023	Northern Tool	\$1,413.35
5/10/2023	Bahama Breeze	\$29.62
5/22/2023	Frontier Airlines	\$50.00
5/24/2023	Walmart	\$74.50
6/22/2023	Lincoln Marriott Cornhusker Hotel	\$7.52
7/31/2023	Internal Institute of Municipal Clerks	\$75.00
8/18/2023	Courtyard by Marriott	\$8.61
8/18/2023	Adobe	\$13.70
9/1/2023	NE Municipal Utilities	\$70.00
9/18/2023	Adobe	\$13.70
10/19/2023	J Boutique	\$46.38
11/9/2023	Lancaster County Register of Deeds	\$24.00
Total		\$4,028.11

In addition to the payments noted above, the APA found 27 other transactions, totaling \$688.27, that lacked any underlying documentation to support that the credit card charges were allowable and appropriate.

Those totally unsupported charges are summarized in the following table:

Vendor	# of Transactions	Amount
Omaha World Herald	11	\$319.89
JotForm	9	\$171.00
Frontier Airlines	1	\$128.00
Adobe	4	\$54.80
Shish Kabob	1	\$9.20
Courtyard by Marriott	1	\$5.38
Totals	27	\$688.27

Neb. Rev. Stat. § 13-610(4) (Reissue 2022) requires all purchases with a political subdivision’s purchasing card to be supported by an itemized receipt, as follows:

An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

(Emphasis added.) In addition to the apparent noncompliance with State statute, the City also seems to be in violation of its own credit card policy, which states, “All original itemized receipts must be submitted to the Treasurer/Finance Director for any credit card use or before any reimbursements can be made.”

Good internal control requires procedures to ensure that proper documentation is maintained for all disbursement transactions, including itemized receipts for purchases made with the City’s purchasing cards.

Payment of Late Fees, Finance Charges, and Sales Tax

While examining the City’s credit card statements and supporting documentation, the APA noted that the City paid a total of \$1,194 in various costs, including late fees and finance charges, to the credit card company. Included also in that amount was \$926.36 in Nebraska sales and lodging taxes.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Supp. 2023), purchases made by the State or its political subdivisions are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village

Furthermore, Title 316 NAC 68-004.01 of the Nebraska Department of Revenue’s formal rules and regulations states the following, in relevant part:

Occupants granted an exemption from the lodging tax are the same entities which are exempt from the sales and use tax under the Nebraska Revenue Act of 1967, as amended

In addition, good internal control requires procedures to ensure that credit card billings are paid timely to avoid unnecessary interest penalties, and sales taxes are not paid on municipal purchases.

Without such procedures, there is an increased risk for not only loss or misuse of public funds but also noncompliance with State statute.

We recommend the City implement procedures to ensure the following: 1) proper documentation is maintained for all transactions, including itemized receipts for purchases made with the City’s purchasing cards; and 2) the City does not pay Nebraska sales or lodging taxes, and credit card billings are paid timely to avoid unnecessary interest and penalties.

Overall City Response:

The City of Hickman intends to update internal control policies and implement procedures to ensure that travel costs, meal expenses, supporting documentation, and itemized receipts for disbursement transactions are required of City Staff. Corrective actions include an updated policy regarding Use of City-Issued Credit Cards and Travel Expenditures; Agreement for Wage Deductions Associated with Improper Use of City-Issued Credit Cards; Training Policy; and use of Travel Expense Authorization & Reimbursement Request Form for all credit card transactions on City-Issued Credit Cards, mileage reimbursement requests, and cash expenditure reimbursement requests. These draft policies and forms will be scheduled for consideration and implementation by Hickman City Council at the next available City Council meeting.

Again, thank you for your review and analyzation of the City’s records and recommendations to better facilitate documentation of expenditures and that reasonable expenditures are based on the Federal GSA per diem rates and City policies.

It is our intention that the implementation of these updated City policies will assure future expenditure concerns, ensure responsible documentation of expenditures, and further expand the transparency of the City’s financial activities.

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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 recommendations 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 comments and recommendations 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 these 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:

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Sincerely,



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