



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 30, 2024

Kim Elder, President
Keith County Senior Center
202 West 1st Street
Ogallala, NE 69153

Dear Mr. Elder:

As you know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding alleged financial improprieties by Jeanine “Jeanie” Herman, the former Director of the Keith County Senior Center (Senior Center). 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 Senior Center. 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 a certain issue that merits corrective action.

Background Information

The Keith County Senior Center (Senior Center) is located in Keith County, Nebraska. According to the Nebraska Secretary of State’s website (<https://sos.nebraska.gov/>), the Senior Center is a public benefit non-profit corporation established on August 21, 1980. The Senior Center provides health, wellness, educational, cultural, and recreational programs to elderly individuals who reside in and around the City of Ogallala, NE and the greater Keith County area. The Senior Center’s Board of Directors (Board) is the governing body that exercises financial accountability and control over activities relevant to the operations of the Senior Center. The Senior Center receives funding primarily from local government sources, including Keith County, as well as reimbursements for nutritional services and other assistance provided from the West Central Nebraska Area Agency on Aging (WCNAAA). The Senior Center also generates revenues from contributions collected from clients for meals provided and fundraising efforts.

The following comment and recommendation, which has been discussed with the appropriate members of the Senior Center and its management, is intended to improve internal control or result in other operating efficiencies.

Comment and Recommendation

Alleged Fraud

Jeanine “Jeanie” Herman served as the Director of the Senior Center from February 1, 2021, to March 14, 2023. Her duties consisted of performing all essential functions of the Senior Center, including writing payroll checks for herself and the other employees there. The APA received allegations that Ms. Herman had paid herself for her accrued sick and vacation leave balances in violation of the Senior Center’s policies and without the approval of the Board. In response to the allegations received, the APA obtained the Senior Center’s bank account statements, as well as other supporting documentation, including QuickBooks (the Senior Center’s accounting system) payroll records, for the period February 1, 2021, through March 31, 2023.

The following table summarizes Ms. Herman’s suspected improper expenditures while employed as the Senior Center’s Director:

Description	Total Amount of Possible Fraud
Unallowable Leave Payout	\$ 11,220.00
Payments in Excess of Approved Wages	\$ 2,400.00
Total	\$ 13,620.00

The specifics of these expenses are discussed in further detail below.

Unallowable Leave Payout

During our examination of the Senior Center’s records, the APA noted that, a few days prior to her last day as the Senior Center’s Director, Ms. Herman paid herself for her accumulated leave balances. This leave balance payout was made through two paychecks, totaling \$13,600, on March 10, 2023, as shown in the table below.

Date	Note Salary	Hourly Rate	Sick Hours	Sick Gross Pay	Vacation Hours	Vacation Gross Pay	Total Gross Pay	Total Allowable Gross Pay	Total Unallowable Gross Pay
3/10/2023	\$1,360.00	\$17.00	220.00	\$3,740.00	140.00	\$2,380.00	\$7,480.00	\$2,380.00	\$5,100.00
3/10/2023	\$0.00	\$17.00	220.00	\$3,740.00	140.00	\$2,380.00	\$6,120.00	\$0.00	\$6,120.00
Totals							\$13,600.00	\$2,380.00	\$11,220.00

Note: The \$1,360 “Salary” amount includes a payment for “Salary” of \$453.34, “Vacation Salary” of \$453.33, and “Sick Salary” of \$453.33.

Both paychecks were direct deposits paid through the QuickBooks’ payroll processing service. The corresponding “Net Pay” for these two payouts was \$9,047.50. The following image shows the amount paid through QuickBooks:

Post Date	Description	Debits	Credits	Balance
03/10/2023	DEPOSIT		\$138.00	\$70,874.98
03/10/2023	INTUIT PAYROLL S QUICKBOOKS XXXXX9921	\$9,047.50		\$61,827.48

The following images show an excerpt from the Review Paycheck report in QuickBooks for both of these payments.

ITEM NAME	RATE	HOURS	CUSTOMER:JOB
Salary	453.34		
Vacation Salary	453.33		
Sick Salary	453.33		
Hourly Sick Rate	17.00	220.00	
Hourly Vacation Rate	17.00	140.00	
TOTALS		7,480.00	360.00 hrs

ITEM NAME	RATE	HOURS	CUSTOMER:JOB
Hourly	17.00		
Hourly Vacation Rate	17.00	140.00	
Hourly Sick Rate	17.00	220.00	
TOTALS		6,120.00	360.00 hrs

The QuickBooks payroll records showed that as of March 10, 2023, Ms. Herman had a sick leave balance of 220 hours and a vacation leave balance of 140 hours. However, each of the two paychecks shown in the above table included the 220 hours of sick leave and 140 hours of vacation leave. One of the payments also included a “Salary” amount of \$453.34, “Vacation Salary” amount of \$453.33, and “Sick Salary” amount of \$453.33 that were not related to any specific leave hours or hours worked.

The Senior Center’s Employee Handbook (Handbook) contains specific policies that dictate what leave is eligible for payment upon an employee’s separation from employment with the Senior Center. Chapter 5, “Leave,” Section 5.20, “Sick Leave,” of the Handbook (Effective Revision Date October 15, 2018) states, in relevant part:

All sick leave shall expire on the date of separation and no employee shall be reimbursed for sick leave outstanding at the time of termination.

Additionally, Chapter 5, “Leave,” Section 5.10, “Vacation Leave,” of the Handbook (Effective Revision Date October 15, 2018) states, in relevant part:

In no event shall an employee accumulate vacation leave in excess of twenty (20) working days. Vacation time not taken within two (2) years of the date accrued shall be forfeited. No employee shall receive pay or cash payment in lieu of taking his accrued vacation leave.

An employee who is separated from employment shall be compensated for unused accumulated vacation leave at his current pay level at time of separation up to a total of twenty (20) working days; except for any employee whose service is terminated for any reason whatsoever prior to completion of the established employment probationary period for the position, and shall not be entitled to receive vacation leave compensation.

(Emphasis added.) The APA requested documentation to support the former Director’s hours worked and the accrued leave balances. However, the Senior Center was unable to provide any timesheets or leave balance documentation for the former Director. According to Senior Center representatives, the former Director typically worked daily from 8:00 a.m. to 1:00 p.m., but they were not able to locate any timesheets within her office or her personnel files. As a result, the APA was unable to verify the former Director’s hours worked and leave balances.

Twenty working days is equivalent to 160 hours. Therefore, assuming Ms. Herman’s vacation leave balance of 140 hours is accurate, it would appear that it is allowable for her to receive payout for the full 140 hours of her unused vacation leave at her current pay at the time of separation from the Senior Center. However, Ms. Herman received a second, unallowable payment of an additional 140 hours of vacation leave, totaling \$2,380. In addition, she should not have received any of the sick leave balance payments, totaling \$7,480. The “Salary,” “Vacation Salary,” and “Sick Salary” amounts, totaling \$1,360, are also unallowable.

Payments in Excess of Approved Wages

During the examination of the Board’s meeting minutes, the APA observed that in the December 19, 2022, minutes, the Board approved a wage increase for Ms. Herman and another Senior Center employee. The following excerpt from the minutes for this meeting shows that Ms. Herman was authorized to receive an hourly rate of \$17.00:

The meeting was reopened after remembering that we had unfinished business. The Board approved a \$250.00 Christmas Bonus to Jeanie Herman and Diane Annabel. We also, increased their wages beginning in January. Jeanie Herman will increase by \$2.00 per hour to \$17.00.* Diane Annable will increase by \$2.00 per hour to \$15.00!

However, the APA identified two paychecks subsequent to December 19, 2022, where Ms. Herman paid herself in excess of this approved rate. The following table shows Ms. Herman’s approved wages and the actual pay that she received as a result of the excess payroll amounts.

Date	Approved Hourly Rate	Hours Worked	Approved Gross Pay	Actual Hourly Rate	Hours Worked	Actual Gross Pay	Variance
2/27/2023	\$17.00	80.00	\$1,360.00	\$32.00	80.00	\$2,560.00	\$1,200.00
3/13/2023	\$17.00	80.00	\$1,360.00	\$32.00	80.00	\$2,560.00	\$1,200.00
Totals			\$2,720.00			\$5,120.00	\$2,400.00

Similar to the leave payouts mentioned previously, both of these payments were direct deposits paid through the QuickBooks' payroll processing service. The following images show an excerpt from the Review Paycheck report in QuickBooks for both of these payments.

Review Paycheck
Herman, Jeanie PAY PERIOD: 02/12/2023 - 02/25/2023
 Use Direct Deposit

ITEM NAME	RATE	HOURS	CUSTOMER:JOB
Salary	2,560.00	80.00	
Vacation	0.00		
Holiday Salary	0.00		
TOTALS	2,560.00	80.00 hrs	

SICK AVAILABLE: 216.00
VACATION AVAIL.: 136.00
SICK ACCRUED: 4.00
VAC. ACCRUED: 4.00
 Do not accrue sick/vac

Review Paycheck
Herman, Jeanie PAY PERIOD: 02/26/2023 - 03/11/2023
 Use Direct Deposit

ITEM NAME	RATE	HOURS	CUSTOMER:JOB
Salary	2,560.00	80.00	
Vacation Salary	0.00		
Sick Salary	0.00		
TOTALS	2,560.00	80.00 hrs	

SICK AVAILABLE: -212.00
VACATION AVAIL.: -132.00
SICK ACCRUED: 4.00
VAC. ACCRUED: 4.00
 Do not accrue sick/vac

The information presented above points to the apparent unauthorized expenditures of Senior Center funds by Ms. Herman for her own personal benefit, giving rise to serious statutory concerns.

To start, Neb. Rev. Stat. § 28-511(1) (Reissue 2016) provides the following, “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.”

Additionally, 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 . . . [.]*

These potential statutory concerns aside, it should be noted that good internal controls require procedures to ensure that one person is not in a position both to perpetrate and to conceal financial errors or irregularities, including fraud. Those same procedures should ensure the following: (1) sick and vacation leave payouts are in accordance with the Senior Center's adopted policies; (2) timesheets are used to reflect accurately Senior Center employees' hours worked and leave balances; and (3) Senior Center employees' hours worked are adequately reviewed by the Board prior to payment.

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

We recommend the Senior Center implement procedures to prevent one person from being a position both to perpetrate and to conceal financial errors or irregularities, including fraud. Among other things, the Senior Center could require a documented review of all disbursements, including paychecks, by a Board member or other employee not involved in the payment process. We also recommend the Senior Center implement procedures to ensure the following: (1) employee sick and vacations leave payouts are in accordance with the Senior Center's adopted policies; (2) timesheets are used to reflect accurately Senior Center employees' hours worked and leave balances; and (3) Senior Center employees' hours worked are adequately reviewed by the Board prior to payment. Finally, because the issue addressed herein gives rise to concerns regarding possible violations of State law, we are referring this information to the Nebraska State Patrol, the Nebraska Attorney General, and the Keith County Attorney for further review.

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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 Senior Center.

Draft copies of this letter were furnished to the Senior Center to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. The Board declined to respond.

This communication is intended solely for the information and use of the Senior Center 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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