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For Immediate Release

May 28, 2025

State Auditor Mike Foley Reveals Rampant Financial Abuse at the Isanti Community School District

State Auditor Mike Foley announced today his office's issuance of a highly critical letter to the Board of Education (Board) for the Isanti Community School District (District) in Santee, Nebraska. Containing findings from an examination of District finances for the period January 1, 2023, through February 29, 2024, Foley's letter details numerous financial shortcomings and apparent improprieties uncovered by his auditors.

That District letter is available on the Nebraska Auditor of Public Accounts' website at <https://auditors.nebraska.gov/>.

"The District is awash in millions of federal, state, and local tax dollars," Foley observed. "According to the Nebraska Department of Education," he continued, "the average annual cost to educate a student in this state is less than \$16,000. Meanwhile, the District spends over \$50,000 a year for each of its 229 students." The recent audit findings are further evidence, Foley averred, that the District "suffers from a profound deficit of common sense or respect for taxpayers."

According to Foley's letter, the District has 14 credit cards – with scant accounting safeguards – that were used for nearly 1,300 separate purchases over the thirteen-month period examined. The auditors deemed over 530 of those expenditures, totaling more than \$102,000, as questionable.

Restaurant gift cards, travel and tickets to out-of-state theme parks, golfing equipment, golf course memberships, nail salon expenses, personal clothing and toiletries, gasoline, lodging, gift cards for video gaming systems, and large cash withdrawals were all flagged by the auditors and cited in Foley's letter. "The list goes on and on," according to the clearly displeased State Auditor.

"District administrators and staff adopted an 'every day is Christmas' attitude toward the public funds entrusted to their stewardship," Foley declared. "This is beyond disturbing."

State law may well have been violated if a District credit card were proven to have been used for personal gain, Foley's letter indicates. Given that contingency, according to the letter, the information accumulated by the audit team will be forwarded to the Nebraska Accountability and Disclosure Commission for further review.

Additionally, Foley's auditors found that the District had reimbursed both the former Superintendent and the Business Administrator for the costs of their respective memberships at the Tatanka Golf Club in Niobrara, Nebraska. Per paperwork provided by the District to support the \$850 membership reimbursement to the former Superintendent, that payment was "part of contract." The audit team found no mention, however, of any golf membership in the former Superintendent's employment documents.

"In a letter to the Legislature only a month ago, I addressed these types of expensive perks to school administrators," commented Foley. "It's bad enough," he continued, "when they are made part of an employment contract. In this instance, though, benefits worth \$850 apiece don't show up in any written agreement that my office has seen."

Of particular interest, the elected Board overseeing the District voted to subsidize a senior class trip to Hawaii. When those plans fell through, an excursion to Orlando, Florida, was substituted for about 20 students, a board member, and chaperons. Charges on the District's credit card were found for tourist stops at Universal Orlando Resort, Gatorland theme park, Old Town theme park, Fun Spot Amusement Park, and Happy Days arcade. A peculiar payment of \$286 to Ceci Nails Lounge was noted as well. In all, \$12,392.33 was spent with District credit cards in 77 unique transactions during the course of an evidently fun-filled junket to the Sunshine State.

Other questionable District expenditures, amounting to \$84,681.42 in 444 separate credit card transactions, were for frequent food and meal purchases, convenience store and gas station expenses, lodging costs, and various department and grocery store visits.

To add insult to injury, Foley's letter points out, the District paid sales tax unnecessarily on many of the questioned credit card transactions made in Nebraska.

Despite having a documented credit card policy, District representatives acknowledged not following it. Consequently, little effort was made to track who was wielding the District's credit cards or to ensure that they were used for authorized purposes.

"Even the best credit card policy is useless if it is ignored, and that is what happened here," explained Foley. "The District's policy is relatively comprehensive – better than many I have seen elsewhere – but failure to comply with it has been a major contributor to this mess."

Foley's letter also identifies financial issues that do not involve the questionable use of a District credit card. A glaring red flag for the auditors was a \$68,700 cash withdrawal from the District's General Fund bank account in December 2022. Board meeting minutes fail to state why the funds were needed. Likewise, no District representative questioned could answer the obvious question: Where did that money go?

In addition to a duplicate \$1,000 payment to the Tatanka Golf Club – where, as mentioned already, both the former Superintendent and the Business Administrator received paid memberships to the tune of over \$850 each – Foley’s letter describes 30 payments, totaling \$5,115, made to a propane vendor on behalf of District employees as part of their payroll deductions. No documentation could be provided to support either the elections or the amounts of those individual allowances, however.

The Nebraska Department of Education has published data showing that the District suffers from a high degree of chronic absenteeism – defined as missing 10% or more of all school days over the course of the year. The District’s roughly 45% rate of chronic absenteeism is more than twice that of the statewide average of approximately 21%.

To combat the problem, the District expended \$146,000 for student registration incentives, each qualifying pupil receiving \$200 in cash or a \$400 Walmart gift card. Alarming, the District was unable to provide adequate documentation to verify that the payments were distributed to the intended recipients; moreover, the audit team questioned the District’s statutory authority to offer such incentive payments.

Foley concluded, “As education experts consider the future of this troubled school district, one thing should be crystal clear. Throwing more money at the problem is the very last thing that ought to be considered. It’s high time for clear-thinking adults in the community to step in and torch those unacceptable practices of the past.”

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