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State Auditor Mike Foley Identifies Nearly $1 Billion in Errors by Lancaster County Treasurer
Also Reports on Issues with Lancaster County Clerk Employees

Nebraska State Auditor Mike Foley has released a 37-page report detailing accounting blunders totaling almost $1 billion by the Lancaster County Treasurer, resulting in the gross mishandling of local tax revenues. "This is a sad day in the Treasurer's Office," the disconcerted State Auditor commented, underscoring the severity of the systemic issues uncovered by his audit team's investigation.

"But let me quickly add", continued Foley, "that County Treasurer Rachel Garver was completely cooperative during the audit process, accepted full responsibility for the findings, and pledged immediate action to address the problems. That was very refreshing and in stark contrast to so many other audits my teams have conducted over the years".

As the revenue collector for Lancaster County – processing over $1 billion in receipts annually – the County Treasurer is responsible for allocating money received by her office to the correct entities, both in and outside of the county; however, Foley's auditors identified numerous errors in the office's failed attempted fulfillment of that vital duty. As a result, Lancaster County, the State of Nebraska, and the local taxing authorities in the county received disproportionate shares of the revenues to which they were legally entitled.

Of particular note, the County Treasurer's improper distribution of Property Tax Credit money from the State of Nebraska resulted in an overpayment to every local taxing authority in the county, not to mention a corresponding $1,272,295 underpayment to the State of Nebraska from 2023 to 2025. By law, this money should have been returned to the State and placed in the Property Tax Credit Cash Fund to be made available for property tax relief in subsequent years.

Foley observed, "Nebraska has the sixth-highest property tax rate in the country, which is an enormous burden on this State's citizens. The County Treasurer's error directly reduced the money available for providing much-needed property tax relief for hardworking Nebraskans. There is no telling how long this problem would have continued if my office had not found it."

Among the dozens of other accounting errors made by the County Treasurer were the following:

- **Commissions retained by the County Treasurer on Lincoln Airport Authority tax collections** were calculated incorrectly, resulting in Lancaster County being underpaid by a total of $214,539 between 2021 and 2025 and the Lincoln Airport Authority being overpaid by a corresponding amount.

- **Distributions of Motor Vehicle Pro-Rate** to local taxing entities were calculated incorrectly, resulting in overpayments totaling $94,734 to 46 local taxing entities and corresponding underpayments to 10 entities.

- **Distributions of Homestead Exemption** to local taxing entities were calculated incorrectly, resulting in overpayments totaling $75,220 to multiple Tax Increment Financing (TIF) projects within three municipalities and corresponding underpayments to 21 other local taxing entities.

- **A percentage of the fee from collecting motor vehicle sales and use taxes**, totaling $613,076 between January 1, 2020, and December 31, 2025, was recorded improperly in the County General Fund, not deposited to the county's road fund in accordance with a statutory directive adopted over six years ago.

Exhibit A of the report contains a detailed listing of all overpayments and underpayments to the State and local taxing authorities identified by Foley's team.

Some of the County Treasurer's tasks can be rather complex, Foley acknowledged. Others, such as retaining the correct commission on Lincoln Airport Authority property tax collections, as mentioned above, are so simple as to be almost perfunctory. Nevertheless, an obvious computational error by the County Treasurer underpaid Lancaster County and overpaid the Lincoln Airport Authority by hundreds of thousands of dollars between 2021 and 2025.

"This really isn't rocket science," Foley said. "State statute requires a 2% commission to be received, but the County Treasurer retained 1% instead. Like the other errors identified, the mistake wasn't realized until my staff brought it to the office's attention. Even a relatively minor deviation like that can have dramatic fiscal consequences – how much the worse when dozens occur simultaneously!"

The problems discovered by Foley's auditors went beyond improper distributions of tax revenues. The County Treasurer is required by law to publish a "Semi-Annual Statement" in January and July each year, reporting by "fund category" the amount of money received and disbursed during the prior six months and held by the County Treasurer as of June 30 and December 31. While this is supposed to provide crucial financial information for Lancaster County taxpayers, auditors flagged a staggering $961,233,232 in misstatements across both six-month periods.

"When all is said and done," Foley explained, "the County Treasurer's accounting was so lacking that she managed to report twice the amount of revenues actually received. According to her, more than $2 billion was collected during 2025. The correct number was a little over $1 billion." He added, "Conjuring almost $1 billion out of thin air is hardly a rounding error."

Foley stressed the need for local residents to receive accurate details regarding the use of their tax dollars. Despite being a core function of the County Treasurer's office, such responsible reporting did not occur. Addressing that failure, Foley's report (page 31) provides a correct financial schedule for Lancaster County. In contrast, the erroneous numbers reported by the County Treasurer are included as **Exhibit B**.

The various errors in the County Treasurer's office are the principal target of the audit report; however, the County Clerk's office also comes within Foley's crosshairs. The audit team found that adequately documenting time worked was problematic for some of the County Clerk's employees. Office staff were allowed to adjust their work hours directly in the county's payroll system, resulting in discrepancies with time clock records. Foley's auditors documented 128 instances of employees having increased their hours "worked" by a total of 501 hours more than recorded in the timekeeping system.

The County Clerk was eventually able to provide limited evidence – in the form of sent emails and Microsoft Teams messages – to help corroborate the claim that his employees had been working during the hours in question. Nevertheless, significant time and effort were required to provide that supporting documentation to the auditors.

Additionally, overtime-exempt employees in the County Clerk's office were allowed to earn "flex leave" in lieu of overtime for additional work performed. No documentation could be provided, though, to substantiate when that extra labor was performed.

According to Foley, "As public servants, all Lancaster County employees must be accountable for their work hours. A minimum amount of effort should be required for management to produce adequate documentation that office staff earned all compensation received."

On a similar note, employees in the County Clerk's office often worked remotely. The audit report addresses numerous violations of the County's remote work policy, including failure not only to sign required remote work agreements but also to identify off-site work locations. Of particular concern, Foley's team discovered instances of three office supervisors supposedly having worked remotely while on vacation – which allowed them to reduce the amount of leave used. For example, one supervisor claimed to have worked while both traveling on a train and driving home from a family vacation. Another supervisor was away from the office for four days; however, by claiming eight hours of work during that time off, only three days of vacation leave were used.

Foley concluded, "As the second most populous county in Nebraska, as well as the seat of State government, Lancaster County needs to do better. I hope that county officials take the findings in this report as seriously as I do. Further audit work by my office will be forthcoming to ensure that corrective measures are taken."

A copy of the State Auditor's report can be found at:

auditors.nebraska.gov

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