



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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April 9, 2026

Martin Staab, Chairperson
Village of McGrew
PO Box 48
McGrew, NE 69353

Dear Chairperson Staab:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of McGrew (Village) for the fiscal year ending 2025. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2025), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Possible Conflict of Interest

The APA received the minutes, along with the accompanying claims listing, for the Village Board's (Board) meeting held on April 10, 2025. From that documentation, the APA identified a potential conflict of interest involving the actions of Board member Lisa Hutchison, spouse of Village employee Mike Hutchison.

According to the meeting minutes, Ms. Hutchison appears to have failed to abstain from voting on the following claims:

Name	Description	Amount
Mike Hutchison	maintenance - less taxes	\$ 204.00
Mike Hutchison	reimburse for oil.air filter from 21st Century	26.46
Mike Hutchison	reimburse for oil from Walmart	6.12
Total		\$ 236.58

An excerpt from the April 10, 2025, meeting minutes is provided below:

V. Payment of Bills:

Village of McGrew
Payments between 03-13-2025 to 04-09-2025

Name and Description	Amount	Method
Alarm Security Technicians (camera to computer)	\$85.00	Check
CenturyLink (telephone)	\$146.10	Check
Courtney Cerny (Clerk/Treasurer – less taxes)	\$1,100.00	Check
Column Software, PBC (publish February minutes in newspaper)	\$92.72	Debit Card
Ellison, Kovarik & Turman Law Firm (attorney)	\$341.00	Check
Fatboys Tire & Auto (John Deere mower maintenance)	\$34.46	Debit Card
Mike Hutchison (maintenance – less taxes)	\$204.00	Check
Mike Hutchison (reimburse for oil from Walmart)	\$6.12	Check
Mike Hutchison (reimburse for oil.air filter from 21 st Century)	\$26.46	Check
Nebraska Public Power District (electricity)	\$550.35	Check
One Call Concepts (511 Digger Hotline)	\$2.46	Check
Quickbooks (software renewal)	\$718.93	Debit Card
Cinda Ross (clean community room)	\$40.00	Check
Kevin Ross (maintenance)	\$17.00	Check
Staples (laptop)	\$990.23	Debit Card
Vistabeam (internet)	\$87.95	Check
Waste Connections (trash service)	\$805.80	Check
Total	\$5,248.58	

Ross made a motion to pay the bills. It was seconded by T. Cooper. Yes: Staab, P. Cooper, Ross, T. Cooper, and Hutchison. Nays: None. Motion carried. Ross abstained from voting on payments to Cinda Ross and Kevin Ross.

The apparent failure of Ms. Hutchison to abstain from voting on the motion above gives rise to concerns regarding possible violation of the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. §§ 49-1401 to 49-14,142 (Reissue 2021, Cum. Supp. 2024, Supp. 2025).

To start, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2021) states the following:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

The penalty for violating the above-cited conflict of interest statute is set out in subsection (7) thereof, as follows:

[A]ny person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.

Furthermore, Neb. Rev. Stat. § 49-1499.03(2) (Cum. Supp. 2024) provides the following for claims not associated with a contract:

(a) Any public official of any political subdivision not designated in section 49-1493 who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall take the following actions as soon as he or she is aware of such potential conflict or should reasonably be aware of such potential conflict, whichever is sooner:

- (i) Prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict;*
- (ii) Deliver a copy of the statement to the person in charge of keeping records for the political subdivision who shall enter the statement onto the public records of the political subdivision; and*
- (iii) Except as otherwise provided in subsection (3) of this section, abstain from participating or voting on the matter in which the public official has a conflict of interest.*

(b) The public official may apply to the commission for an opinion as to whether the person has a conflict of interest.

(Emphasis added.) It should be noted also that subsection (b) of the above statute authorizes the Nebraska Accountability and Disclosure Commission (Commission) to issue, upon request, “an opinion as to whether the person has a conflict of interest.” This is correlative to Neb. Rev. Stat. § 49-14,100 (Reissue 2021) of the Act, which provides the following:

Any person who is in doubt as to the propriety of action proposed to be taken by him may apply to the commission for an advisory opinion relating thereto, and the commission shall have authority to render such opinions. When an advisory opinion is issued pursuant to a complete and accurate request, such opinion shall be a complete defense to any charge of violation of sections 49-1493 to 49-14,104 as to any action taken strictly subject to the terms of such opinion.

Good internal control requires procedures to ensure compliance with applicable provisions of the Act. Those procedures should include also seeking needed guidance from the Commission, especially regarding potential conflicts of interest.

Without such procedures, there is an increased risk for both statutory violations and the loss of Village funds.

We recommend the Board implement procedures to ensure compliance with applicable provisions of the Act. Such procedures should include also seeking needed guidance from the Commission, especially regarding potential conflicts of interest. Because the issue addressed herein constitutes a possible violation of the Act, we are forwarding this information to the Commission for further review.

2. Extra Compensation Paid to Board Member

In examining the Village’s bank statements, the APA noted that, contrary to State statute, a Village Board member during fiscal year 2025 was being paid extra compensation to perform additional duties. The table below lists the total amounts paid to the Board member for the additional work performed throughout that time:

Check Date	Name	Description	Amount
10/10/2024	Kevin Ross	Maintenance	\$ 399.50
11/14/2024	Kevin Ross	Maintenance	153.00
12/12/2024	Kevin Ross	Maintenance	85.00
1/9/2025	Kevin Ross	Maintenance	136.00
2/13/2025	Kevin Ross	Maintenance	238.00
3/13/2025	Kevin Ross	Maintenance	144.50
4/10/2025	Kevin Ross	Maintenance	17.00
6/12/2025	Kevin Ross	Maintenance	102.00
7/10/2025	Kevin Ross	Maintenance	68.00
8/14/2025	Kevin Ross	Maintenance	136.00
9/11/2025	Kevin Ross	Maintenance	34.00
Total			\$ 1,513.00

The description in the table above is taken from the claims listing approved by the Village. Board members can receive compensation for performing additional work for the Village only if such work is seasonal and/or an emergency.

Neb. Rev. Stat. § 17-209.02(2)(a) (Reissue 2022) provides the following:

The office of village trustee shall not be combined or merged with any other village office or village employment, except that a member of the village board of trustees may receive compensation to perform seasonal or emergency work upon approval by the village board of trustees.

(Emphasis added.) Chapter 17, Article 2, of the Nebraska Revised Statutes provides no definition of “emergency” for purposes of § 17-209.02. Without such guidance, it is necessary to rely upon a long-standing rule of statutory

interpretation that requires statutory language to be given its “plain and ordinary” meaning. The Nebraska Supreme Court has utilized this rule numerous times, as follows:

In the absence of anything to the contrary, statutory language is to be given its plain and ordinary meaning; an appellate court will not resort to interpretation to ascertain the meaning of statutory words which are plain, direct, and unambiguous.

Nelson v. City of Omaha, 256 Neb. 303, 311, 589 N.W.2d 522, 527 (1999). Typical of the many virtually synonymous meanings accorded to the word is that provided by Webster’s New World Dictionary and Thesaurus (1996), which defines an “emergency” as “a sudden, generally unexpected occurrence demanding immediate action.” When applied to § 17-209.02, that standard definition appears to entail a necessary and immediate short-term response to a particular exigency.

According to the Village, the Board member is paid as a maintenance employee as needed, which does not indicate that such work would be “seasonal” or “emergency” in nature, as required by § 17-209.02. Consequently, such activity appears legally suspect.

Good internal controls require procedures to ensure compliance with applicable statutory restrictions placed upon payment of extra compensation to Board members.

Without such procedures, there is an increased risk for both statutory violations and the loss of Village funds.

We recommend the implementation of procedures to ensure extra compensation paid to Board members is for seasonal or emergency work only, as required by statute.

3. Debit Card Issues

During review of the bank statements obtained from the Village’s audit waiver request, it was noted that multiple debit card transactions, totaling \$5,297.19, occurred throughout fiscal year 2025. After further inquiry with the Village, the APA was informed that the Village utilizes a debit card for small general Village expenses, such as office supplies.

With the use of a debit card, the Village increases its risk of unrecoverable loss of funds due to fraud because debit cards do not provide as much fraud protection as a credit card or other purchasing cards. The Village also increases its risk of payments being made without Board approval because the debit card does not require dual signatures.

The APA noted the following issues pertaining to the Village’s debit card usage.

Lack of Purchasing Card Policy

It was noted during the review that the Village did not have a formal, written purchasing card policy outlining procedures for safeguarding municipal assets when using the card, including the designation of allowable purchases and authorized users.

As shown below, in relevant part, Neb. Rev. Stat. § 13-610 (Reissue 2022) provides specific requirements for a political subdivision’s purchasing card program:

(1) A political subdivision, through its governing body, may create its own purchasing card program. The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card. Under the direction of its governing body, any political subdivision may contract with one or more financial institutions, card-issuing banks, credit card companies, charge card companies, debit card companies, or third-party merchant banks capable of operating the purchasing card program on behalf of the political subdivision. Expenses associated with the political subdivision’s purchasing card program shall be considered, for purposes of this section, as an administrative or operational expense.

* * * *

(4) 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.

* * * *

(6) No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.

Good internal controls require a formal, written policy to govern usage of the Village’s purchasing card, including provisions specifying the allowable use and users thereof.

Without such procedures, there is an increased risk for not only loss, theft, or misuse of Village funds but also statutory noncompliance.

Lack of Adequate Supporting Documentation

The Village was unable to provide adequate documentation to support five purchases, totaling \$244.17, made with the Village’s debit card. The following table details the purchases that were not properly supported:

Vendor	Amount
Sympathy Floral Store	\$ 129.20
Zoro Tools Inc.	41.46
Alison.com	29.25
Alison.com	29.25
Essential Fuels	15.01
Total	\$ 244.17

The Village provided the APA with certificates verifying the completion of courses done through Alison.com, an online education and skills training platform. However, no itemized receipts were provided to support the above purchases. Additionally, a picture was taken at the gas pump to support the purchase at Essential Fuels; however, as shown above, § 13-610(4) states clearly that an itemized receipt must accompany all purchases made with a political subdivision’s purchasing card.

Good internal controls require procedures to ensure that the Village obtains an itemized receipt for all municipal purchasing card expenditures.

Without such policy, there is an increased risk for not only loss, theft, or misuse of Village funds but also statutory noncompliance.

Payment of Nebraska Sales Tax

Upon review of the supporting documentation for the Village’s debit card transactions, the APA noted three purchases that included payment of State sales tax, totaling \$66.53. The following table details these purchases:

Date	Vendor	Purchase Amount	Sales Tax Paid
10/15/2024	Zoro Tools	\$ 92.19	\$ 4.81
3/17/2025	Staples	990.23	60.25
3/21/2025	Fat Boys Tire and Auto	34.46	1.47
	Total	\$ 1,116.88	\$ 66.53

Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2024) states that 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

(Emphasis added.) Good internal controls require procedures to ensure that Village funds are not expended for the payment of Nebraska sales tax.

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

We recommend the Village implement procedures to ensure the following: 1) a formal, written policy is adopted governing usage of the municipal purchasing card, including provisions specifying the allowable use and users thereof; 2) itemized receipts are maintained for all purchasing card expenditures, in accordance with State statute; and 3) Village funds are not expended for the payment of Nebraska sales tax.

4. Possibly Disallowed Purchase

During our review of the bank statements accompanying the Village’s audit waiver request, the APA noted that the municipal debit card was used to make one purchase, totaling \$129.20, at Sympathy Floral Store on October 10, 2024. This payment was made from the Village’s checking account, which contained property tax revenues. According to the Village, the expenditure was to buy flowers for memorial services.

An image of this debit card transaction is shown below:

Account Activity			
Post Date	Description	Debits	Credits
Beginning Balance			
10-07	CUSTOMER DEPOSIT		\$415.39
10-09	NEBRASKA.G 6158 PayPort Online		\$41.21
10-10	STATE OF NE ST PAYMENT *****8087		\$2,281.35
10-10	2943 Sympathy Floral Stor888-3979494 IL	\$129.20	

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2022, Cum. Supp. 2024), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Villages, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2024).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Purchases of flowers – whether for funerals, memorials, or other personal occasions – are not found among that select statutory list of permissible expenditures. Unless authorized elsewhere in State statute, therefore, such disbursements must be considered disallowed by law.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document titled “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline). The Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued more than three decades ago, the Guideline remains relevant to various Nebraska public entities.

Regarding the issue of flower and memorial purchases, the Guideline provides the following:

Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?

Response – No.

Good internal control requires procedures to ensure compliance with the provisions of the Act.

Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all Village purchases are allowable under State statute, including the provisions of the Act.

5. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified the following payments, totaling \$806.86, which were paid but not included on the claims listing submitted for the Board’s approval.

Details of the unapproved payments are included in the table below:

Name/Vendor	Payment Date	Amount
Essential Fuels	4/11/25	\$ 30.20
IRS	4/15/25	507.50
Nebraska Dept. of Revenue	4/16/25	205.35
Column	4/17/25	63.81
Total		\$ 806.86

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all elected members of the city council in a city of the second class or village board of trustees.

(Emphasis added.) Good internal control requires procedures to ensure that all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

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

We recommend the Board implement procedures to ensure all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

6. Payment of Claims Prior to Board Approval

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that the following payments, totaling \$1,836.34, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

Name/Vendor	Amount	Approval Date	Payment Date	Days Paid Before Approval
Column	\$ 92.72	4/10/25	3/24/25	17
Fatboys Tire & Auto	34.46	4/10/25	3/21/25	20
Staples	990.23	4/10/25	3/17/25	24
Intuit	718.93	4/10/25	4/7/25	3
Total	\$ 1,836.34			

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all elected members of the city council in a city of the second class or village board of trustees.

(Emphasis added.) Good internal control requires procedures to ensure that all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

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

We recommend the Board implement procedures to ensure all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

7. Negative Fund Balance

On Exhibit A of the Village’s audit waiver request form, the APA noted that the General fund had a deficit balance of \$128,256.44, as of September 30, 2025. As of February 5, 2026, the Village did not have a plan of action to revolve this deficit fund balance.

Good internal control and sound accounting practices require procedures to ensure that Village fund balances are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take necessary action to resolve any deficits therein.

Without such procedures, there is an increased risk of not only insufficient Village fund balances but also the resultant inability to cover fully all disbursements and transfers approved by the Board.

We recommend the Village Board implement procedures to ensure the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take necessary action to resolve any deficits therein.

* * * * *

The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village’s policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to offer comments and suggestions that we hope will prove useful to the Village.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen** at 402-499-8702 or dakota.christensen@nebraska.gov.

Sincerely,

A handwritten signature in black ink that reads "Mark Avery". The signature is written in a cursive style with a long, sweeping underline.

Mark Avery, CPA
Assistant Deputy Auditor