NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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August 5, 2026

Don Johnson, Superintendent
Blair Community Schools
1326 Park St.
Blair, NE 68008

Dear Mr. Johnson:

As you know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding various problematic financial activities, including unauthorized credit card usage, at the Blair Community Schools (District). 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 District. 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, as the District is audited on an annual basis.

Nevertheless, during the course of the preliminary planning work, the APA noted a certain issue that merits corrective action.

Background Information

The District is located in Washington County, Nebraska. The Board of Education (Board) is the governing body that exercises financial accountability and control over activities relevant to the operations of the District. Board 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 District operations, and the primary responsibility for related fiscal matters.

On December 22, 2025, the District self-reported numerous financial concerns and issues to the APA. Among these was apparent misuse of the District's credit cards. As a result, the APA obtained relevant records, including credit card statements and supporting documentation for purchases made with three District credit cards, for the period August 1, 2023, through October 31, 2025.

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

Comment and Recommendation

Credit Card Issues

From August 1, 2023, through October 31, 2025, three District credit cards were used to make 997 transactions, totaling $144,002.61. In examining the supporting documentation for those expenditures, the APA identified the following issues with the District's credit card usage:

- Nearly one quarter of the credit card transactions, totaling $25,275.37, were for purchases of meals and other food items – for which the District lacked a policy specifying when such purchases are allowable.
- Twenty-one credit card purchases, amounting to $1,166.06, were for gift cards – for which the District lacked policies and tracking procedures to ensure that they were used only for allowable purposes.
- The District lacked adequate documentation to support 127 credit card purchases, totaling $16,593.78.
- The District paid $350.17 in late fees and interest on its credit cards.
- The District paid $755.92 in unnecessary State of Nebraska sales taxes on 79 credit card purchases.
- District employees failed to follow established policies and procedures for the use of District credit cards.

Each of these issues are described in further detail below.

Food Purchases
The APA observed that 235 purchases, totaling $25,275.37, were made with the three District credit cards for meals and other food items during the period examined. A summary of these food purchases is provided in the following table:

Vendor	Total Purchases	Total Amount
Casey's	34	$3,697.13
Walmart	52	$3,474.95
Hy-Vee	4	$3,300.33
Costco	11	$2,330.08
Round the Bend Steakhouse	6	$1,748.94
Sam's Club	10	$1,342.44
Family Fare	5	$894.23
Pizza Hut	7	$825.60
Hopcat	1	$744.35
Leadbelly	4	$622.42
Lighthouse Bar & Grill	1	$515.00
El Vallarta Mexican Restaurant	3	$455.66
Red Brick Bar & Grill	1	$386.34
Spaghetti Works	2	$318.44
The Mark	1	$317.84
Valentino's	1	$271.68
Eileen's Cookies	2	$267.40
Chipotle	3	$265.20
Dulce Vida	2	$258.75
Other Vendors – ***Note***	85	$3,238.59
Totals	**235**	**$25,275.37**

Note*: The APA combined all vendors with transactions totaling less than $250 each under the "Other Vendors" line item above.*

The above purchases were typically for meetings, staff appreciation events, group meals for sports teams and clubs, or school-sponsored events such as dances and athletic activities.

Examples of two such purchases – one made at the Red Brick Bar & Grill in Blair, NE, on August 18, 2023, (the receipt is dated August 11, 2023, but the transaction date listed on the credit card statement is August 18, 2023) for $386.34 and another made at El Vallarta Mexican Restaurant in Blair, NE, on June 4, 2025, for $153.91 – are shown in the receipt images below:

New Teacher Lunch

RED BRICK BAR & GRILL
1631 WASHINGTON ST
BLAIR, NE 68008
(402) 426-1897
August 11, 2023 at 10:46 AM

Shonna: Order #3021

School

Pickup
Shonna

Reuben SW
SW Sides: Fries
Sauce/Dressing: Ranch
Buffalo Chicken Wrap
SW Sides: Sweet Potato
Pulled Pork SW
Side: Tator Tots
Buffalo Chicken Wrap
SW Sides: Tator Tots
Sauce/Dressing: Ranch
Hamburger
HB Cheese: American
SW Sides: Tator Tots
Sauce/Dressing: Ranch
Chicken Club Wrap
SW Sides: Tator Tots
Chicken Club Wrap
SW Sides: Fries
Sauce/Dressing: Buffalo Sauce
Bacon Cheese Burger
SW Apps: Pretzel Bites
Greek Salad
Salad Add: Sub Gyro Meal
SW Sides: Tator Tots
Sauce/Dressing: Ranch
Summer Salad
Club SW
SW Sides: Fries
Sauce/Dressing: Ranch
Chicken Salad
SW Sides: Sweet Potato
Sauce/Dressing: Ranch
Club SW
SW No: Tomato
SW Sides: Sweet Potato
Sauce/Dressing: Ranch
Buffalo Chicken Wrap
Chicken: Grilled
Caesar Salad Wrap
SW Sides: Sweet Potato
Sauce/Dressing: Ranch
SW Apps: Buffalo Cauliflower
Brisket SW
Side: Fries
SW Apps: Pickle Fries
Bacon Bleu Cheese Burger
SW Sides: Fries
Sauce/Dressing: Buffalo Sauce
Mac And Cheese
M&C No: Bacon
Caesar Salad Wrap
SW Sides: Fries
Brisket SW
Side: Fries
Sauce/Dressing: Ranch
Greek Salad
Salad Add: Sub Gyro Meat
Greek Salad
Greek Wrap
Salad Add: Extra Chicken Breast
Salad No: Black Olives
SW Sides: Fries
Sauce/Dressing: Ranch
Bacon Bleu Cheese Burger
SW Sides: Fries

9.00
2.25
0.75
8.50
3.50
12.50
0.00
8.50
2.25
0.75
6.50
1.25
2.25
0.75
8.50
2.25
8.50
2.25
0.75
8.00
7.50
9.50
1.50
2.25
0.75
10.50
7.75
2.25
0.75
8.50
3.50
0.75
7.75
0.00
3.50
0.75
6.50
0.00
8.50
3.50
0.75
7.50
12.50
0.00
7.50
8.00
2.25
0.75
6.50
0.00
8.50
2.25
12.50
0.00
0.75
9.50
1.50
9.50
8.50
3.50
0.00
2.25
0.75
8.00
2.25

Subtotal 292.50
~~Tax~~ ~~20.48~~
Gratuity 58.50
Total (Cash) 351.00 371.48

$386.34

El Vallarta
Mexican Restaurant

El Vallarta
1995 Ridge View Rd
Blair, NE 68008
402-533-8008

Server: Carlos R
Check #30 Table A6
Ordered: 6/4/25 12:12 PM

Pollo Fundido	$14.99
3 Chicken on the Beach	$40.50
Steak Burrito Dinner	$15.25
Huevos Rancheros	$10.99
#1 Burrito & Taco (Kids)	$6.99
Adult	$2.99
Burrito California Dinner	$14.99
2 Lemonade	$6.50
2 Dr. Pepper	$6.50
Mountain Dew	$3.25
Shirley Temple	$3.60
Pepsi	$3.25
Subtotal	$129.80
Tax	$9.11
Total	$138.91
Input Type	C (EMV Chip Read)
VISA CREDIT	xxxxxxxx0824
Time	12:39 PM
Transaction Type	Sale
Authorization	Approved
Approval Code	95509G
Payment ID	Jwk7WjXKTgHb
Application ID	A0000000031010
Application Label	VISA CREDIT
Terminal ID	
Card Reader	BBPOS
Amount	$138.91
+ Tip:	15.00
= Total:	153.91

X
TAMMY HOLCOMB

Customer Copy

The District coded the above two meal purchases to "new teacher lunch" and "new staff inservice," respectively.

It is worth noting that, of the above 235 purchases, the District was unable to produce adequate supporting documentation for 35 apparent meal purchases, totaling $4,127.66.

According to its representatives, the District's current policies do not specify under what circumstances meal expenditures are allowable; however, they will be revised to remedy that oversight. The District representatives explained further that the Superintendent and members of the District Finance Committee review all credit card statements, and any reimbursement requests are compared against supporting documentation and the monthly billing statements to ensure accuracy and compliance with the District's policies.

Given both the frequency of meal purchases made with District credit cards and the lack of formal policies governing those expenditures, the APA questions whether any of the above meal purchases should be included as a taxable fringe benefit for the purchaser.

Internal Revenue Service (IRS) Publication 5137 (Rev. 10-2022), "Fringe Benefit Guide," defines a fringe benefit as follows:

> *A fringe benefit is a form of pay (including property, services, cash or cash equivalent) in addition to stated pay for the performance of services. Under Internal Revenue Code (IRC) Section 61, all income is taxable unless an exclusion applies.*

(pg. 1) IRS Publication 15-B (December 23, 2025), "Employer's Tax Guide to Fringe Benefits," provides the following:

> *Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it.*

(pg. 3) Furthermore, IRS Publication 5137, as referenced above, says the following about meal reimbursements:

> *Regularly provided meal money does not qualify for the exclusion for employer provided de minimis fringe benefits. Occasional meal money can meet an exception and be excludable if three conditions are met:*

(pg. 10) One of these three conditions is that meals be provided on an "[o]ccasional basis" – being "reasonable in value and is not provided regularly or frequently."

(pg. 10) IRS Publication 5137 also provides examples of "excludable de minimis fringe benefits, which must be "occasional or infrequent, **not routine**." Among them are "[g]roup meals" and "[o]ccasional coffee."

(pg. 9) As mentioned previously, the APA noted several meal purchases for different events, including group meals for sports teams and clubs along with numerous individual meal purchases for various District staff. Current District policy makes no mention of tracking individual or group meals or considering when they should be treated as taxable fringe benefits.

Good internal controls require all District credit card purchases, including expenditures for meals, to be made in accordance with District policy. Such policy should specify when the purchase of an employee meal will be treated as a taxable fringe benefit. Furthermore, District policy should adequately define allowable credit card expenditures, including when employee meal purchases are permitted.

Gift Card Purchases

The APA identified 21 credit card transactions, totaling $1,166.06, for the purchase of gift cards. A summary of the vendors from which the gift cards were purchased is shown in the table below:

Vendor	Total Purchases	Total Amount
Walgreens	9	$441.38
Scooter's Coffee	5	$295.00
Walmart	5	$289.68
Casey's	1	$100.00
Scheels	1	$40.00
Totals	**21**	**$1,166.06**

The reasons stated on the documentation provided for the above gift card purchases included prizes for events and appreciation gifts for staff. As with the meal and food item purchases discussed previously herein, District representatives informed the APA that the District is in the process of adopting updated policies, and such revisions will address specifically the purchase of gift cards with District funds. In addition, the APA was informed that the District will provide guidance to all staff to ensure compliance with the updated policy.

Good internal controls require all District credit card expenditures, including gift card purchases, to be made in accordance with District policy. Furthermore, District policy should adequately define allowable credit card expenditures and when purchases for items such as gift cards are permitted.

It is worth noting that of the above 21 purchases, the District was unable to provide adequate supporting documentation for six purchases, totaling $205, which appeared to have been made for gift cards.

Lack of Adequate Documentation
In addition to the unsupported expenditures discussed previously herein, adequate documentation was lacking to support 127 purchases, totaling $16,593.78, of the 997 transactions made with the three District credit cards between August 1, 2023, and October 31, 2025.

Neb. Rev. Stat. § 13-610(4) (Reissue 2022) provides the following requirement for the purchasing card program of a political subdivision, including a school district:

> *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.*

Additionally, prior to June 2026 District policy 706.01 E1, "Cardholder Agreement," stated the following, in relevant part:

> *I will upload an itemized receipt and brief business purpose within three (3) business days of the charge.*

Furthermore, District policy 706.01, "Purchasing Procedures," provided the following, in relevant part:

> *Missing documentation . . . may result in immediate suspension of card privileges, required repayment, disciplinary action up to termination . . . .*

Good internal control requires procedures to ensure proper documentation is maintained for all District transactions, including credit card purchases.

Late Fees & Interest
During the period tested, the District paid a total of $350.17 in late fees and interest to the credit card company, as detailed in the following table:

Card Number	Date	Type	Amount
0956	2/24/2025	Interest Charge	$87.55
0980	2/24/2025	Interest Charge	$78.16
0824	2/24/2025	Interest Charge	$64.46
0956	2/24/2025	Late Fee	$40.00
0824	2/24/2025	Late Fee	$40.00
0980	2/24/2025	Late Fee	$40.00
		Total	**$350.17**

Good internal control requires procedures to ensure that credit card billings are paid timely to avoid unnecessary penalties.

Payment of Nebraska Sales Tax
While examining documentation to support purchases made with the three District credit cards, we noted that the District paid a total of $755.92 in Nebraska sales tax across 79 purchases.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2024), 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 schools or learning communities established under Chapter 79.*

Good internal controls require procedures to ensure that District funds are not expended for the payment of Nebraska sales tax on purchases made by either credit card or other means.

Lack of Adequate Credit Card Policy

As discussed previously herein, the District lacked adequate policies for when its credit cards could be used to purchase such items as meals and gift cards. Prior to June 2026, District policy 706.01 E1, "Cardholder Agreement," required staff to agree to the following in order to use a District credit card:

> *1) Authorized Business Use Only.*
> *I will use the card solely for authorized District business and will obtain required pre-authorization for each transaction.*
>
> *4) Prohibited Transactions.*
> *I will not split purchases to avoid thresholds; I will not purchase software/apps/subscriptions or memberships without prior approval and required data-privacy agreements; I will not make personal purchases of any kind.*

Additionally, under District policy 706.01, "Purchasing Procedures," the following was said, in relevant part, regarding District purchasing cards:

> *Purchasing cards are a convenience, not a substitute for sound controls. Cards are issued only to named employees whose duties require them, after completion of training and execution of a cardholder agreement. Cards are not shared, checked out, or stored in drawers; the Business Office maintains custody and control. Card numbers must never be saved in browsers, vendor profiles, or on local devices. Each purchasing-card transaction requires a pre-authorization in the ERP or card portal before it is made, and the cardholder must upload an itemized receipt and a brief business purpose within five (5) business days of the charge. . . . Missing documentation, personal or otherwise unauthorized use, or repeated noncompliance may result in immediate suspension of card privileges, required repayment, disciplinary action up to termination, and, where appropriate, referral to law enforcement.*

Nevertheless, the above policies lack adequate detail and guidelines regarding the specific types of purchases allowed to be made with District credit cards.

It should be noted that such specificity is required to ensure compliance with Neb. Rev. Stat. § 13-610(6) (Reissue 2022), which governs the use of political subdivision purchasing cards. That subsection of statute says the following:

> *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.*

An imprecise District policy, such as the one currently in effect, renders virtually impossible a sound determination as to what, in some cases, constitutes "an unauthorized use as determined by the governing body."

Additionally, the APA was made aware that District staff do not appear to be following the above procedures – as generic as they may be – regarding credit card usage. As stated clearly in the above policy, purchases must be preauthorized, and District purchasing cards are not to be saved in browsers or on local devices. Despite these explicit provisions, District representatives informed the APA that at least one teacher had saved the card to a website on her computer and made numerous unapproved purchases with it. The APA confirmed that these purchases occurred – and, despite appearing to have been for legitimate classroom purposes, they were clearly incompatible with District policy.

Furthermore, after obtaining supporting documentation for District credit card expenditures, the APA noted two Amazon purchases, totaling $115.64, that were apparently made by a District staff member's child. These purchases, which included a toothbrush holder, a rug, coasters, and a butter dish, were shipped to a fraternity house on the University of Nebraska's campus in Lincoln, Nebraska. Clearly having been for other than District purposes, both transactions were said to have been made in error, and the District employee ultimately reimbursed the full amount nearly two months afterwards. Despite the reimbursement, the purchases were made not only without prior approval but also for non-District-related purposes – both of which are violations of District policy.

Good internal controls require procedures to ensure that the policy governing allowable use of District credit cards is obeyed by all users. Furthermore, the policy should be sufficiently specific to remove any doubt as to the type of purchases permitted.

Without such procedures, as well as a definitive credit card policy, there is an increased risk for the loss or misuse of District funds.

> We recommend the District implement procedures to ensure the following: 1) purchases made with District credit cards comply with the governing policy for appropriate use of those payment instruments; 2) that policy adequately defines the allowable uses of the District's credit cards; 3) proper documentation, including itemized receipts, is maintained for all District expenditures, including those made with a credit card; 4) credit card billings are paid timely to avoid unnecessary late fees and interest charges; and 5) District funds are not expended for the payment of Nebraska sales tax.

District Response:

I appreciate the opportunity to respond to your letter on behalf of Blair Community Schools. We have had a chance to review the letter and your recommendations. Much of the letter focused on our current purchasing policies, procedures, and practices. The timing is fortuitous.

Throughout the spring and summer, the district has been updating its policies. I have attached our revised policies covering these areas. Others can be found on our district website. Based on the items identified in your letter, I believe our new policies address these issues. Attached for your review are our updated policies on Purchasing (Credit) Card Program (3036) and Reimbursements and Miscellaneous Expenditures (2007). We are confident that these policies, combined with clarified expectations and diligent effort of our employees, will address the areas of concern.

Sincerely,

Dr. Don Johnson,
Superintendent

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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 District.

Draft copies of this letter were furnished to the District to provide its management with an opportunity to review and to respond to the comment and recommendation 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 District 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:
Craig Kubicek, CPA, CFE – Deputy Auditor
Mason Culver – Auditor-In-Charge
Caden Janak – Examiner

Sincerely,

Craig Kubicek

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