



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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August 3, 2016

Terry Martin, Chairman  
N-CORPE  
135 W 5<sup>th</sup> St.  
Imperial, NE 69033

Dear Mr. Martin:

As you know, the Nebraska Auditor of Public Accounts (APA) was contacted with certain concerns regarding the Nebraska Cooperative Republican Platte Enhancement Project (N-CORPE) financial operations. In response thereto, the APA began limited preliminary planning work to determine whether a financial audit or attestation of N-CORPE would be warranted.

Based upon the preliminary planning work conducted, the APA has determined that a separate financial audit or attestation of N-CORPE is not warranted at this time. Among the factors influencing that determination were the following:

- The APA was able to address several concerns that have been incorporated into this letter. Those concerns, along with the related recommendations, will provide N-CORPE with an opportunity to improve its overall operations.
- A separate attestation would likely involve significant audit expenses that would be charged to N-CORPE. The N-CORPE financial activities are audited every year by RJ Meyer & Associates CPA. N-CORPE also contracts with McChesney Martin Sagehorn, P.C. for bookkeeping and accounting services.
- Though not insignificant, many of the issues brought to the APA's attention were beyond the scope or timeframe of any audit or attestation that might have been conducted. Some of the issues brought to our attention dated back to 2012.

Though not issuing a separate attestation report on N-CORPE, the APA noted certain internal control or compliance matters, or other operational concerns, that we have presented below based on our limited preliminary planning work. This information is intended to improve the internal controls or result in other operational efficiencies that may be lacking.

Draft copies of this letter were furnished to N-CORPE to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicate corrective action has been taken were not verified at this time.

**Background**

N-CORPE was organized and created in 2012, under the laws of the Nebraska Interlocal Cooperation Act based on an agreement between the following Natural Resource Districts (NRD):

- Upper Republican NRD
- Middle Republican NRD
- Lower Republican NRD
- Twin Platte NRD

The purpose of N-CORPE was to help ensure river flow obligations were met in the Republican and Platte Rivers by an augmentation project. N-CORPE is currently managed by Kyle Shepherd, who operates under the direction of a Board comprised of a director from each of the NRDs. N-CORPE is funded through an occupation tax on irrigated acres.

**Comments and Recommendations**

**1. Tire Repair**

The APA received allegations that, on August 7, 2015, the Manager charged \$212.66 to the N-CORPE credit card for the purchase and mounting of two tires for an employee’s personal vehicle. The APA has included a copy of the invoice below.

|  |  | T. O. Haas Tire<br>2400 "O" Street<br>P.O. Box 81067<br>Lincoln, Nebraska 68501<br>Telephone: 402-323-4220 |            |   |                      |
|--|--|--|------------|---|----------------------|
| * * * * INVOICE COPY * * * *           |  |  |            |   |                      |
| Sold To:<br>#49998 NORTH PLATTE RETAIL |  | NCORPE<br>24871 S LONE STAR RD<br>TAX#005-011809000<br>NORTH PLATTE NE 69101-0000                          |            | Invoice# 24-70549<br>Printed: Aug 7,2015<br>Transaction: Cash<br>Batched: Aug 2015 (Aug 7,2015)<br>PO#: |                      |
| 308-534-6752                           |  |  |            |   |                      |
| Quantity                               | Description                            | Stock Code   | Unit Price | Unit Tax  | Extended Price & Tax |
| 2                                      | 215/70TR15 BFG ADVANTAGE T/A           | 8710056  | 88.99      |   | 177.98               |
| 2                                      | T.O. TIRE CARE SILVER                  | 6620000  | .00        |   | .00                  |
| 2                                      | SILVER PACKAGE                         | 31601  | 2.49       |   | 4.98                 |
| 2                                      | MOUNTING MFG WARRANTY   HAND TORQUE    | 77   | .00        |   | .00                  |
| 2                                      | TIRE INSPECTION AND AIR PRESSURE CHECK | 77   | .00        |   | .00                  |
| 2                                      | FREE ALIGNMENT CHECK BY APPOINTMENT    | 77   | .00        |   | .00                  |
| 2                                      | 30-DAY RIDE GUARANTEE                  | 77   | .00        |   | .00                  |
| 2                                      | RUBBER VALVE STEM OR TPMS CORE         | 31503  | 10.00      |   | 20.00                |
| 1                                      | 'WHEELS MUST BE RETORQUED 50-100 MILES | 6600014  | .00        |   | .00                  |
|  | SHOP SUPPLIES / HAZ MAT                | 31841  |            |   | 3.70                 |
|  | NEBRASKA TIRE RECYCLING TAX            | 21050  |            |   | 2.00                 |
|  | TIRE DISPOSAL FEE                      | 45008  |            |   | 4.00                 |
| Total Invoice---->                     |  |  |            |   | 212.66 *             |

The APA asked the Chairman of the N-CORPE Board about the allegation, and the following response was received:

*On August 7, 2015, an NCORPE employee who was transporting other NCORPE employees while they were at work struck an object on a road within NCORPE property. Both front tires were unrepairable. Since the damage happened on NCORPE property, NCORPE may have had some liability and the employee was not being paid mileage for use of his vehicle while transporting other NCORPE employees, so NCORPE replaced the tires.*

N-CORPE employees have access to several vehicles per the fuel disbursement logs, so it is unclear why it was necessary for the employee to be driving a personal vehicle.

When expenses are paid for a personal vehicle, there is an increased risk for loss or misuse of funds.

We recommend N-CORPE refrain from paying certain personal vehicle expenses in the future. Employees driving their personal vehicles should be required to maintain their own vehicle insurance.

*N-CORPE's Response:*

... "so it is unclear why it was necessary for the employee to be driving a personal vehicle."

*NCORPE is a very large property, previously it was the largest contiguous farm in the state of Nebraska. Even though NCORPE owns several vehicles it is sometimes necessary for employees to use their own vehicles during work hours to complete tasks. For example if there is a breakdown of a work vehicle or if all of the work vehicles are being used elsewhere the employee might opt to use his own vehicle so he can complete a task he has been assigned.*

**2. Fuel Used for Personal Vehicle**

N-CORPE had both diesel and unleaded fuel tanks for employees to fill up work vehicles and related equipment. However, per the July 2015 fuel disbursement log, the Manager had been filling up his personal vehicle from the unleaded storage tank. The APA asked the N-CORPE Board Chairman about the allegation, since the Manager had also been provided a 2014 Ford F-150 work truck. The following response was received, in part:

*At a time in which NCORPE Manager Kyle Shepherd was using his personal vehicle for official NCORPE activities but was not charging NCORPE mileage for use of his personal vehicle, he used an amount of NCORPE fuel approximately equal to that needed while working. The travel using his personal vehicle included approximately 460 miles . . . . Should Shepherd in the future use his personal vehicle for NCORPE duties, he will charge NCORPE mileage.*

At the request of the APA, N-CORPE also provided the fuel logs from August through December, with the exception of September 2015, which could not be found. The APA's review of those documents revealed that, on at least 10 occasions, the Manager filled up a personal vehicle between July 2015 and December 2015, as summarized in the table below.

| Date                 | Vehicle   | Gallons    | Odometer Reading |
|----------------------|-----------|------------|------------------|
| 7/9/2015             | 2008 Ford | 20         | 134028           |
| 7/14/2015            | 2008 Ford | 18.1       | 134348           |
| 8/12/2015            | 2008 Ford | 10.8       | 134790           |
| 8/26/2015            | 2008 Ford | 10.4       | 135260           |
| 10/13/2015           | 2008 Ford | 12.8       | 136036           |
| 10/18/2015           | 2008 Ford | 20.7       | 136441           |
| 10/19/2015           | 2008 Ford | 22         | 136632           |
| 11/9/2015            | 2008 Ford | 23.6       | 136987           |
| 12/1/2015            | 2008 Ford | 16.3       | 137293           |
| 12/14/2015           | 2008 Ford | 15.3       | 137435           |
| <b>Total Gallons</b> |           | <b>170</b> |                  |

Based on an estimated 15 miles per gallon, the Manager would have travelled approximately 2,550 miles with the 170 gallons. However, per the response above, only travel of approximately 460 miles was for business use. There may have been additional personal usage during September 2015; however, no log was available for such usage. The APA also requested any mileage reimbursements to the Manager from July 2015 through March 2016; however, no such reimbursements were made.

Good business practices require procedures to prohibit employees or other individuals from filling personal vehicles or other personal equipment from N-CORPE's fuel storage tanks. Instead, those procedures should provide for reimbursing any employee's use of a personal vehicle for company business at a standard mileage rate.

Without such procedures, there is an increased risk for abuse and loss of funds.

We recommend N-CORPE implement procedures to prohibit employees or other individuals from filling personal vehicles or other personal equipment from N-CORPE's fuel storage tanks. Instead, those procedures should provide for reimbursing any employee's use of a personal vehicle for company business at a standard mileage rate.

*N-CORPE's Response:*

*The following are descriptions of the use of the personal vehicle:*

*Kyle Shepherd's fuel usage in his private 2008 Ford:*

| <i>Date</i>     | <i>Destination</i>  | <i>Total Miles for Tasks</i> |
|-----------------|---|------------------------------|
| <i>7/9/15</i>   | <i>Imperial, Dickens,<br/>North Platte, Wellfleet</i>           | <i>440</i>                   |
| <i>7/14/15</i>  | <i>Curtis, North Platte,<br/>Dickens, Wellfleet,<br/>NCORPE</i> | <i>370</i>                   |
| <i>8/12/15</i>  | <i>NCORPE, Dickens</i>  | <i>150</i>                   |
| <i>8/26/15</i>  | <i>North Platte, Wallace</i>                                    | <i>180</i>                   |
| <i>10/13/15</i> | <i>NCORPE, Dickens</i>  | <i>150</i>                   |
| <i>10/18/15</i> | <i>NCORPE, Wellfleet</i>  | <i>180</i>                   |
| <i>10/19/15</i> | <i>NCORPE, Wellfleet</i>  | <i>180</i>                   |
| <i>11/9/15</i>  | <i>NCORPE, North Platte</i>                                     | <i>110</i>                   |
| <i>12/1/15</i>  | <i>North Platte, NCORPE</i>                                     | <i>310</i>                   |
| <i>12/14/15</i> | <i>Curtis, NCORPE,<br/>North Platte</i>                         | <i>310</i>                   |
|                 | <i>Total:</i>   | <i>2,380</i>                 |

Gas mileage on NCORPE, Dickens, Curtis, Wellfleet and Wallace (off-road, dirt road) is probably around eight miles per gallon.

APA's Response: N-CORPE's original response to the APA on April 22, 2016, noted that travel using the Manager's personal vehicle included approximately 460 miles. However, per N-CORPE's current response to the draft, the Manager supposedly drove 2,380 miles. It is also questionable that the Manager did not use his private 2008 Ford during September 2015, since he used it every other month between July and December 2015. This is the same month that the N-CORPE fuel log was missing. As stated previously, employees should be reimbursed for mileage instead of being permitted to fill up their personal vehicles.

**3. Other Fuel Purchases**

The APA identified additional questionable fuel purchases for the Manager's 2014 Ford F-150 work truck. As explained above, N-CORPE has fuel storage tanks for employees to fill up their vehicles in North Platte.

However, the APA noted that, on at least seven occasions, the Manager filled up a vehicle at a local gas station in North Platte. It is uncertain why an N-CORPE employee would purchase gasoline with an N-CORPE credit card in the same City in which a company fuel storage tank is located.

The APA has included these charges below:

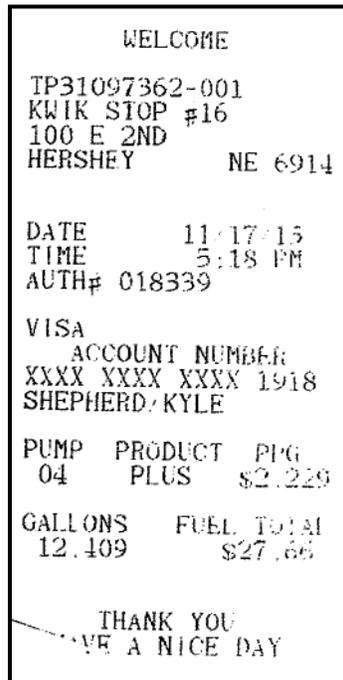
| Date       | Gallons | Location                   |
|------------|---------|----------------------------|
| 7/31/2015  | 24.95   | Conoco North Platte, NE    |
| 8/20/2015  | 28.625  | Conoco North Platte, NE    |
| 8/28/2015  | 26.665  | Cenex North Platte, NE     |
| 9/2/2015   | 33.075  | Casey's North Platte, Ne   |
| 9/10/2015  | 24.492  | Cenex North Platte, NE     |
| 9/21/2015  | 6.583   | Conoco North Platte, NE    |
| 10/14/2015 | 21.418  | Kwik Stop North Platte, NE |

Per the November 2015 fuel disbursement log, the APA also noted that the manager recorded filling up with 29.4 gallons of gas on November 17, 2015, from the N-CORPE tanks. However, the Manager also charged 12.409 gallons to the N-CORPE credit card at 5:18 p.m. on that same day.

The APA has included a portion of the fuel disbursement record below:

| Nebraska Cooperative Republican Platte Enhancement Project – Fuel Disbursement Record |              |  |             |            |  |              |
|---|--------------|--|-------------|------------|--|--------------|
| Month <u>Nov.</u> Year <u>15</u>  |              |  |             |            |  |              |
| First Init.   | MM/DD/YY     | DD= Dyed Diesel<br>D= Diesel<br>UL= Unleaded | Gallons     | Vehicle ID | Meetings, Field Operations (FO), Mowing, Hauling, Construction, etc. | Odometer     |
| INIT.   | DATE         | MATERIAL                                     | QUAN.       | VEHICLE    | ACTIVITY   | HRS./MILES   |
| <u>KE</u>   | <u>11/17</u> | <u>UL</u>                                    | <u>29.4</u> | <u>MF</u>  |  | <u>29348</u> |

The APA has also included a copy of the credit card receipt (Hershey is approximately 15 miles from North Platte):



Based on the documentation available, it is unclear for what purpose over 41 gallons of gas was needed. On November 17, 2015, the odometer reading of the Manager’s work vehicle was 29348, and the next odometer reading was on November 22, 2015, at 29756, per the fuel logs.

Finally, the APA identified issues with the odometer readings recorded on the fuel disbursement logs. As identified in the chart below, the odometer reading jumped from 26013 to 26836 and then back to 26641 in a sequential timeframe.

| Date       | Vehicle   | Gallons | Odometer Reading | Location                   |
|------------|-----------|---------|------------------|----------------------------|
| 10/9/2015  | 2014 Ford | 34      | 26013            | N-CORPE Fuel Tank          |
| 10/14/2015 | Unknown   | 21.418  | Unknown          | Kwik Stop North Platte, NE |
| 10/21/2015 | 2014 Ford | 29      | 26836            | N-CORPE Fuel Tank          |
| 10/23/2015 | 2014 Ford | 15.4    | 26641            | N-CORPE Fuel Tank          |

Good business practices require procedures to ensure that adequate documentation is maintained for employee gas purchases and usage.

Without such procedures, there is an increased risk for abuse and loss of funds.

We recommend N-CORPE implement procedures to ensure adequate documentation is maintained for employee gas purchases and usage.

*N-CORPE's Response:*

*"It is uncertain why an N-CORPE employee would purchase gasoline with an N-CORPE credit card in the same City in which a company fuel storage tank is located."*

*NCORPE's headquarters are located 20 southwest of North Platte. Outer parts of the property are more and 50 miles from North Platte. Shepherd also has an office in the City of North Platte and often does not go to the headquarters. Additionally portions of the property are closer to gas stations than they are the fuel tanks at the headquarters.*

*It is common for NCORPE staff to fuel in North Platte, Hershey, Wallace and Curtis even when they are on the property doing work. It is also common for NCORPE staff to work off the property on NCORPE projects where fueling up is more convenient in town than on the "farm."*

*Shepherd also spends a substantial amount of time traveling which requires him to fill up in town or on the road.*

*"...the Manager also charged...to the...credit card...on that same day."*

*Shepherd filled up his work vehicle in the morning. In the evening Shepherd returned to the west side of the property near Hershey to meet a contractor that was experiencing vehicle problems. Shepherd filled up his personal pickup (7.4 gallons, the amount needed for the after-hours trip) and a five gallon container in Hershey to give to the contractor. Fuel receipts are now itemized.*

*"...the odometer reading jumped form 26013..."*

*If Shepherd's work truck gets 14 mpg the math would suggest that 26,641 should be around 27,189. This also shows that the next reading of 27,344 would be correct. The large amount of rain that day could have been a contributing factor to the mistake as the fuel tanks are out in the open with no protection from the elements.*

#### **4. Credit Card Charges**

While analyzing certain N-CORPE credit card charges from July 2015 through March 2016, the APA identified the following issues.

##### **a) Personal Purchase**

On December 4, 2015, the Manager charged \$8.29 from Menards to the N-CORPE credit card. The purchased items included Axe 2-in-1 Shampoo and Conditioner, GoodSense Ibuprofen 20ct., and a pair of Magic Stretch Gloves. On that same day, the Manager also filled out a purchase order supporting the charge with a description of "Supplies-Kyle."

However, the APA observed a copy of a personal check totaling \$8.29 from the Director to N-CORPE dated December 28, 2015. The check was included with the following explanation, "Somehow I used the NCORPE card on some personal items."

Though relatively minor in significance, the charge gives rise to other concerns. For instance, this purchase appears to have been made during work hours, as the transaction occurred at 8:09 a.m. on a Friday. The APA requested the timesheets for the Manager covering the period of the purchase; however, he does not keep a timesheet.

Other purchases were made with the N-CORPE card that could have been personal in nature, including Australian Gold SPF 15 continuous spray sun screen containing “instant bronzers [to] enrich skin with a sun-kissed glow.” The APA has included a listing of these potentially personal charges below.

| Date       | Vendor   | Amount  | APA Notes                           |
|------------|----------|---------|-------------------------------------|
| 6/29/2015  | Menards  | \$7.99  | Sunscreen with Bronzer              |
| 6/29/2015  | Menards  | \$15.98 | 2 Other Sunscreen                   |
| 7/2/2015   | Menards  | \$5.68  | 2 Shout Pre-Cleaner                 |
| 8/5/2015   | Menards  | \$3.98  | Sunscreen                           |
| 9/23/2015  | Wal-Mart | \$3.98  | Baker’s Dozen Cookies               |
| 9/23/2015  | Wal-Mart | \$1.68  | Dr Pepper                           |
| 11/3/2015  | Menards  | \$64.00 | Pistol Drawer Safe                  |
| 11/12/2015 | Subway   | \$7.49  | Meal in North Platte, NE at 9:26 am |
| 1/15/2016  | Wal-Mart | \$3.98  | Baker’s Dozen Cookies               |
| 1/15/2016  | Wal-Mart | \$2.00  | Cookie                              |

Good internal controls and sound business practices require procedures to ensure that all expenditures are reasonable and necessary for N-CORPE.

**b) Lack of Itemized or Missing Receipts**

Several N-CORPE credit card purchases lacked adequate supporting documentation, as receipts were not itemized to include what was actually purchased, or no receipts were provided to the APA.

The following problems with supporting documentation were noted, many of which included purchases of meals in North Platte:

| Date       | Vendor                                 | Amount   | APA Notes                  |
|------------|--|----------|----------------------------|
| 6/29/2015  | Carquest                               | \$27.13  | No Receipt – <b>Note 1</b> |
| 7/20/2015  | Misty's, Lincoln, NE                   | \$12.01  | Receipt Not Itemized       |
| 8/11/2015  | Storm's Steakhouse, Curtis, NE         | \$22.00  | Receipt Not Itemized       |
| 9/1/2015   | Jimmy John's, North Platte, NE         | \$36.59  | Receipt Not Itemized       |
| 9/2/2015   | Canteen Bar & Grille, North Platte, NE | \$85.30  | Receipt Not Itemized       |
| 10/23/2015 | Pizza Hut, North Platte, NE            | \$62.53  | Receipt Not Itemized       |
| 10/27/2015 | Tree Pro                               | \$76.40  | No Receipt – <b>Note 1</b> |
| 10/31/2015 | Facebook                               | \$1.73   | No Receipt                 |
| 12/18/2015 | Ruby Tuesday, North Platte, NE         | \$121.06 | Receipt Not Itemized       |
| 3/22/2016  | VFW Post Club, Maywood, NE             | \$31.82  | Receipt Not Itemized       |

**Note 1:** Missing receipts were provided by N-CORPE after they received the draft letter.

Good business practices require procedures to ensure that adequate supporting documentation is maintained for all N-CORPE credit card charges.

Without such procedures, there is an increased risk for abuse or loss of funds.

We recommend N-CORPE ensure procedures are in place to require itemized receipts accompany all credit card purchases.

*N-CORPE's Response:*

*"The APA requested the timesheets...he does not keep a timesheet."*

*Although Shepherd does not keep a timesheet he does keep a spreadsheet that tracks his time per day, total time per week, time spent per NRD, NRD tasks and NCORPE tasks.*

*"The APA has included a listing of these potentially personal charges below."*

*Please see the use of these purchases:*

| <u>Date</u> | <u>Vendor</u> | <u>Amount</u> | <u>APA Notes</u> | <u>NCORPE Use</u>   |
|-------------|---------------|---------------|------------------|---|
| 6/29/15     | Menards       | 7.99          | Sunscreen        | Safety equipment (NCORPE provides sunscreen to reduce the risk of skin cancer for employees working outside, see attached picture of safety shelf). |
| 6/29/15     | Menards       | 15.98         | Sunscreen        | Safety equipment  |
| 7/2/15      | Menards       | 5.68          | Shout            | NCORPE purchased stain remover after an employee had complained about stains on his clothes obtained at work.                                       |
| 8/5/15      | Menards       | 3.98          | Sunscreen        | Safety equipment  |
| 9/23/15     | Walmart       | 3.98          | Cookies          | Meeting expense   |
| 9/23/15     | Walmart       | 1.68          | Dr. Pepper       | Meeting expense   |
| 11/3/15     | Menards       | 64.00         | Safe             | Safe was purchased to lock building and equipment keys in (safe was later returned after a more secure location was identified to store keys).      |
| 11/12/15    | Subway        | 7.49          | Meal             | Travel/Meeting expense  |
| 1/15/16     | Walmart       | 3.98          | Cookies          | Meeting expense   |
| 1/15/16     | Walmart       | 2.00          | Cookies          | Meeting expense   |

*NCORPE now itemizes all POs to clarify what purchases were for.*

**APA Response: N-CORPE provided two receipts that were not submitted originally, as noted above. A detailed itemized receipt clearly depicting what was purchased should accompany the purchase order, not simply a credit card receipt with the total amount paid.**

\* \* \* \* \*

Our limited procedures for this letter were 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 our knowledge of N-CORPE to make comments and suggestions that we hope will be useful to N-CORPE.

This communication is intended solely for the information and use of N-CORPE 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 regarding the above information, please contact our office.

Sincerely,

A handwritten signature in black ink, appearing to read "C. J. Janssen". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Charlie Janssen  
Auditor of Public Accounts

Copy to: Benjie Loomis, Middle Republican NRD Board Member  
Nelson Trambly, Lower Republican NRD Board Member  
Jerry Weaver, Twin Platte NRD Board Member  
Kyle Shepherd, N-CORPE Manager