



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

September 28, 2016

Jay Hall, President
Laurel-Concord Coleridge School Board of Education
502 Wakefield St.
P.O. Box 8
Laurel, NE 68745

Dear Mr. Hall:

As you know, the Nebraska Auditor of Public Accounts (APA) received a concern regarding certain financial transactions at the Laurel-Concord Coleridge Schools (School). In response thereto, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. During the course of that work, the APA requested specific financial or compliance information for the period September 2015 through March 2016.

Based upon the outcome of our preliminary planning work, the APA has determined that a separate financial audit or attestation of the School is unnecessary at this time. Nevertheless, that work did reveal certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

Background Information

The primary concern noted by the APA pertains to credit card charges incurred by the School. In particular, questions were raised as to whether the School Board (Board) had an adequate opportunity to review the details of the credit card charges, as well as to ask questions related thereto, prior to approving the payment of claims. Additional concerns were raised over some of the travel expenses charged to the School's credit cards.

Due to these concerns, the APA obtained the School's credit card statements and supporting documentation for purchases from September 2015 through March 2016, which included charges incurred from August 2015 through February 2016. A summary of those charges is provided in the table below:

Statement Date	Charges Incurred	Statement Amount			Board Minutes Amount
		General Fund	Activity Fund	Total	
September 2015	August 2015	\$11,516.73	\$1,801.06	\$13,317.79	\$11,516.73
October 2015	September 2015	\$6,512.31	\$2,173.47	\$8,685.78	\$6,512.31
November 2015	October 2015	\$3,094.73	\$4,596.64	\$7,691.37	\$3,094.73

Statement Date	Charges Incurred	Statement Amount			Board Minutes Amount
		General Fund	Activity Fund	Total	
December 2015	November 2015	\$17,066.20	\$555.36	\$17,621.56	\$17,066.20
January 2016	December 2015	\$2,078.52	\$878.19	\$2,956.71	\$2,078.52
February 2016	January 2016	\$779.41	\$1,054.63	\$1,834.04	\$779.41
March 2016	February 2016	\$5,210.13	\$2,625.09	\$7,835.22	\$5,210.13
Total		\$46,258.03	\$13,684.44	\$59,942.47	\$46,258.03

The General Fund credit card charges were approved at each Board meeting; however, the minutes of the Board meetings failed to indicate that the credit card charges from the Activity Fund were approved.

The School has five credit cards that are assigned to various School employees, as illustrated by the table below for the period reviewed:

Cardholder	Position	Card Number	Charges Incurred		
			General Fund	Activity Fund	Total
Klooz, Randall	Superintendent	XXX4754	\$27,683.12	\$1,912.20	\$29,595.32
Vance, Jay L	High School Principal	XXX9222	\$7,038.97	\$5,798.05	\$12,837.02
Johnson, Heath	Elementary Principal	XXX4061	\$8,290.61	\$707.07	\$8,997.68
Shiers, TJ	Middle School Principal	XXX2645	\$3,009.35	\$4,982.20	\$7,991.55
James, Carol M	Central Office Secretary	XXX9677	\$235.98	\$284.92	\$520.90
Total			\$46,258.03	\$13,684.44	\$59,942.47

In discussions with him regarding the School's credit card review and approval process, the Superintendent explained that three staff members, the Business Manager, the Superintendent Secretary, and the Superintendent ensure receipts are collected for every charge on the credit card statements. If questions arise in the course of the review process, these staff members work with the Superintendent or the principals, who are ultimately responsible for obtaining the receipts.

Prior to each Board meeting, the Business Manager and the Superintendent go through all of the School's bills, including credit card charges. The Business Manager identifies any bills that need clarification or additional documentation. If necessary from his initial review, the Superintendent requests more information for charges that may need to be clarified for the Board. The pre-board meeting packet, containing a spreadsheet entitled "Check Register by Checking Account," which provides a summary of all checks issued during the preceding month, including the date of issuance, the identity of the payee, and the amount of the check for all of the bills, along with the credit card bill amount is sent to each Board member, typically by the Friday prior to the Monday Board meeting. The Board has the weekend to review the information contained in the packet, and can call the Superintendent with questions. The Superintendent also stated that the bills and documentation to support the credit card charges, which include the statement and receipts, are available for review at each regular Board meeting prior to voting.

The following individuals were members of the Board during the period reviewed:

- Jay Hall, President
- Richard Brandow, Vice President
- Betty Jo Leapley, Secretary
- John Wolfgram
- Robert Colwell
- Brian Holcomb
- Carol Erwin as of September 2015
- Ryan Van Cleave through August 2015
- Marlin Papenhausen
- Steve Schutte

The APA identified the following concerns during a limited review of the School's credit card charges incurred from August 2015 through February 2016.

1. Control Processes

The School did not have an approved policy governing the use of its credit cards. Neb. Rev. Stat. § 13-610 (Reissue 2012) authorizes political subdivisions to create their own purchasing card programs. Subsection (1) of that statute provides the following:

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.

Section 13-610(4) provides, in relevant part: "An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases." That same subsection adds the following:

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.

According to the Superintendent, a law firm was hired in June of 2015 to review the School's internal management policies. In June of 2016, the law firm provided the School with a revised version of Policy Number 3130, which was amended to address the purchasing card program. The policy was approved by the Board on August 8, 2016. At present, that policy appears to mirror § 13-610. During the period of our review, however, no such policy existed.

Furthermore, as pointed out in the background section above, the minutes of the Board meetings failed to note that the credit card charges from the Activity Fund had been approved. Rather, the documentation provided indicated that only credit card charges paid from the General Fund were approved. All credit card charges should be reviewed and approved by the Board.

Finally, as will be detailed in the comments below, the APA identified a number of instances of questionable credit card charges.

- Questionable travel expenses paid – see Comment Number 2
- Lack of adequate supporting documentation – see Comment Number 3
- Potentially unallowable expenses paid – see Comment Number 4

As a result of these findings, the School’s review process for credit card charges appears to be inadequate.

All credit card statements, along with the documentation to support the purchases, should be provided to the Board for review prior to each meeting. A Board member should document his review of the statements and documentation.

Good internal control requires adequate review procedures to ensure that credit card charges are supported by proper documentation and are only for School business. In addition to ensuring Board approval of credit card charges for both the General Fund and Activity Fund, such procedures should include a review of the credit card statements and documentation by the Board. Without these review procedures, there is an increased risk for the loss or misuse of School funds.

We recommend the Board implement review procedures to ensure credit card charges are supported by proper documentation and are only for School business. Such procedures should, at a minimum, the Board’s approval of both General Fund and Activity Fund credit card charges, as well as the Board’s review of the credit card statements and documentation supporting the charges.

2. Questionable Travel Expenses

The School’s credit cards were frequently used to pay for travel expenses that appear to have been related primarily to the Board members or School administrator attendance at workshops, conferences, or other types of training events.

The following table summarizes 13 training events, along with the corresponding credit card charges, attended by Board members or School administrators during the period tested:

Training Event	Location	Date(s)	Charges
NASB Labor Relations Conference	Embassy Suites – Lincoln	9/2/2015 - 9/3/2015	\$975.53
NE Fall Ed Tech Conference/ESU #1 E-Rate Meeting	Kearney	10/7/2015 - 10/8/2015	\$376.10
Tri-State Law Conference	Century Link Center – Omaha	11/5/2015 - 11/6/2015	\$568.71
2015 School Counselor Academy: Reach Higher NE	Embassy Suites – Omaha	11/12/2015 - 11/13/2015	\$150.00
NASB State Conference	Embassy Suites – La Vista	11/18/2015 - 11/20/2015	\$510.00
AG-ceptional Women’s Conference	Northeast Community College – Norfolk	11/20/2015	\$38.00
NCSA Legislative Preview	Lincoln	12/9/2015	\$188.61
NASB Budget & Finance Workshop	Cornhusker Marriott – Lincoln	2/1/2016	\$66.27
NASA/NASB Education Forum	Kearney	2/23/2016 - 2/24/2016	\$159.88
NASSP Conference – Ignite ‘16	Orlando, Florida	2/25/2016 - 2/27/2016	\$2,404.28
“Mean Girls” Seminar	Omaha	3/4/2016	\$151.74

Training Event	Location	Date(s)	Charges
National School Boards Association Conference	Boston, Massachusetts	4/9/2016 - 4/11/2016	\$11,479.68
2016 AQuESTT State Data Conference	Younes Conference Center – Kearney	4/18/2016 - 4/19/2016	\$375.00
Total Charges for Training Events			\$17,443.80

Our review of the credit card charges incurred for those 13 training events revealed the following concerns.

Spouse’s Travel Reimbursement

The School’s December 2015 credit card statement included credit card charges of \$4,029.68 in airfare and \$7,450 in registration expenses for the 2016 National School Board Association annual conference in Boston on April 9 – 11, 2016. The Superintendent, seven Board members, and two spouses of Board members attended this conference. The plane tickets averaged about \$400 per person, and the registration was \$915 for regular attendees (Board/Superintendent) and \$65 for spouses.

The following expenses are related to spouse travel and were paid by the School:

Board Member	Spouse	Registration Fee	Plane Ticket	Total	Date Reimbursed	Amount Reimbursed
Richard Brandow	Sue Brandow	\$65.00	\$403.97	\$468.97	3/14/2016	\$468.95
Robert Colwell	Betty Colwell	\$65.00	\$398.96	\$463.96	4/8/2016	\$461.00

Both State statute and Board policy clearly prohibit the School from paying for spouses to attend training events.

To start, the Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 through 13-2204 (Reissue 2012), establishes strict parameters for the expenditure of public funds by designated public entities, including school districts and their respective boards. Section 13-2204 of the Act provides, in relevant part, the following:

Nothing in the Local Government Miscellaneous Expenditure Act shall authorize the expenditure of public funds to pay for any expenses incurred by a spouse of an elected or appointed official, employee, or volunteer unless the spouse is also an elected or appointed official, employee, or volunteer of the local government.

Board Policy 8231, section I, contains almost identical prohibitive language:

Nothing in this policy shall authorize the expenditure of public funds to pay for any expenses incurred by a spouse of a Board member, employee or volunteer unless the spouse is also a Board member, employee or volunteer.

Although the School received checks from the Board members to cover their spouses’ expenses, neither State law nor Board policy permits School funds to be spent for those costs in the first place. Additionally, the charges were incurred in November 2015 and paid by the School in December 2015; however, reimbursement from the Board members was not received until March and April 2016.

Without procedures to ensure that public funds are not expended for private purposes, such as expenses incurred by spouses, there is an increased risk for not only the loss or misuse of School funds but also the violation of both State statute and Board policy.

We recommend the Board implement procedures to ensure public funds are not expended for private purposes, such as expenses incurred by spouses, regardless of whether those expenditures are subsequently reimbursed.

Personal Travel Reimbursement

In February 2016, Mr. Jay Vance, the high school principal, attended the National Association of Secondary School Principals (NASSP) conference that was held in Orlando, Florida, from February 25 through 27, 2016. Mr. Vance charged the hotel expenses on his School's credit card.

Although the conference began on February 25, Mr. Vance arrived in Orlando on February 23 and charged the extra night's hotel expense of \$253.12 to the School's credit card. The extra night's expense was reimbursed by Mr. Vance in March 2016.

Section 13-2203 of the Act provides, in relevant part, the following:

(1)(a) The expenditure of public funds for the payment or reimbursement of actual and necessary expenses incurred by . . . employees Authorized expenses may include:

* * * *

(iii) Meals and lodging at a rate not exceeding the applicable federal rate unless a fully itemized claim is submitted substantiating the costs actually incurred in excess of such rate and such additional expenses are expressly approved by the governing body[.]

Board Policy 8231, section A(1), contains similar language:

[T]he school district shall pay the registration costs, tuition costs, fees or charges for such functions along with actual travel expenses . . . with meals and lodging to be reimbursed based upon substantiated costs actually and necessarily incurred or applicable Federal Rates.

Because it did not constitute a "necessary" expense, the cost of Mr. Vance's extra night at the hotel should not have been paid with the School's credit card, even if that expenditure was fully reimbursed.

Without procedures to ensure that public funds are not expended for private purposes, such as unnecessary travel expenses, there is an increased risk for not only the loss or misuse of School funds but also the violation of both State statute and Board policy.

We recommend the Board implement procedures to ensure public funds are not expended for private purposes, such as unnecessary travel expenses, regardless of whether those expenditures are subsequently reimbursed.

Training Event Agendas

Agendas were not included in the documentation received for any of the training events attended, making it impossible for the APA and the reviewers of the credit card purchases to determine which meals were provided by the events and whether any charges were made for meals included in the event registrations.

Upon request by the APA, the School provided the agendas for each training event. In an email dated July 1, 2016, the Superintendent stated that he “Never thought about including agendas [as documentation for conferences attended], but after going through this and trying to remember or find documentation, I can see how this would be a good thing to do.”

Good internal controls require adequate documentation, including training event agendas, to support School expenditures, especially for meals, prior to the approval of any payments. Without such documentation, there is an increased risk for the loss or misuse of School funds.

We recommend the School implement procedures to ensure adequate documentation is on file to support all expenditures. Training event agendas should be included with credit card purchases in order for the reviewer to determine which meals were provided by the conference and which meals were allowed to be reimbursed.

3. Lack of Adequate Documentation

For 23 of 321 School credit card charges tested, the APA found an absence of detailed, itemized receipts for support. The following table summarizes each of these instances:

User	Transaction Date	Vendor	Amount	Handwritten Notes	Description
Klooz, Randall	8/4/2015	Claramont Steak & Chop	\$10.39	Staff working lunch	Receipt provided was not itemized.
Vance, Jay L	8/4/2015	Claramont Steak & Chop	\$48.37	Admin + Bookkeepers CRDC	Receipt provided was not itemized.
Vance, Jay L	8/6/2015	Claramont Steak & Chop	\$21.36	Admin mtg.	Receipt provided was not itemized.
Shiers, TJ	8/7/2015	USPS	\$9.80	Postage	Receipt provided was not itemized.
Vance, Jay L	8/21/2015	Raths Mini Mart	\$8.00	Athletics - AD	Receipt provided was not itemized.
Klooz, Randall	9/2/2015	Lazlo’s Brewery	\$78.52	Board Members & Supt (LR) (19.85)	Receipt provided was not itemized.
Klooz, Randall	9/16/2015	Genos Steakhouse	\$18.14	L+C Admin mtg. (Klooz & TJ)	Receipt provided was not itemized.
Klooz, Randall	10/2/2015	Amazon Marketplace	\$13.98	Supplies	No documentation obtained. School obtained documentation from Amazon after-the-fact.

User	Transaction Date	Vendor	Amount	Handwritten Notes	Description
Shiers, TJ	10/10/2015	Claramont Steak & Chop	\$145.59	FB – Activity	Receipt provided was not itemized.
Vance, Jay L	10/14/2015	Prengers	\$27.81	Principals HS/EI	Receipt provided was not itemized.
Johnson, Heath	11/4/2015	Wendy’s	\$8.11		Receipt provided was not itemized.
Vance, Jay L	12/9/2015	TheMirrorCompnay.com	\$249.00		Receipt provided did not give description of product.
Vance, Jay L	12/16/2015	Claramont Steak & Chop	\$41.09	Principal	Receipt provided was not itemized.
Vance, Jay L	1/21/2016	Cenex Urwiler	\$45.50	Yukon	Receipt provided was unreadable.
Klooz, Randall	2/1/2016	Cornhuskers Square Garage	\$9.00		No documentation obtained.
Johnson, Heath	2/4/2016	PlanBookEDU LLC	\$10.00		No documentation obtained.
Johnson, Heath	2/8/2016	Rodeo’s Bar & Grill	\$59.08	Board Lunch	Receipt provided was not itemized.
Johnson, Heath	2/8/2016	Gary’s Food Town	\$14.17	Activity	Receipt provided was not itemized.
Johnson, Heath	2/10/2016	Main Street AP	\$99.51		No documentation obtained.
Shiers, TJ	2/26/2016	Amazon Marketplace	\$40.36	Activity	Receipt provided was not itemized.
Shiers, TJ	2/26/2016	Amazon Marketplace	\$27.50	Activity	Receipt provided was not itemized.
Shiers, TJ	2/26/2016	Impact Application	\$400.00	Activity – AD	Receipt provided was not itemized.
Vance, Jay L	2/27/2016	Raglan Road	\$30.00		Receipt provided was not itemized.
Total			\$1,415.28		

The lack of itemized receipts for these credit card purchases is an apparent violation of State statute. Specifically, Neb. Rev. Stat. § 13-610(4) (Reissue 2012), which governs purchasing card programs implemented by political subdivisions, provides, in relevant part, the following:

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.

In addition to the expenses noted above, the APA found several instances of gasoline purchases. Based on discussions with the Superintendent, the documentation provided for those expenditures appears insufficient to indicate the specific vehicle for which the gasoline was bought. According to the Superintendent, however, all of the gasoline purchases at issue are assumed to have been made for a School, as opposed to a personal, vehicle.

Due to the lack of details in the documentation provided, moreover, the APA had to make further inquiries to determine the nature of certain other purchases. For example, hotel receipts did not clearly identify the individuals who obtained the lodging, and food receipts did not always disclose who was present at the meal and for what purpose.

Good internal control requires adequate supporting documentation, including itemized receipts that indicate clearly the purchaser and the specific nature of each expenditure, to be obtained for all of the School’s credit card purchases. Without such documentation, there is an increased risk for not only the loss or misuse of School funds but also the violation of State statute.

We recommend the Board ensure adequate documentation, including detailed itemized receipts, is obtained to support all School credit card purchases.

4. Other Expenses

The APA identified several other questionable expenses that were charged to the School’s credit card. The details of those charges are outlined below.

Meals

Among the expenditures noted were meal purchases for Board members and School employees, as described in the following table:

Cardholder	Transaction Date	Vendor	Amount	Purpose
Klooz, Randall	8/4/2015	Claramont Steak & Chop	\$10.39	Meal for bookkeeper while filling out Civil Rights Data Collection (CRDC) reports.
Vance, Jay L	8/4/2015	Claramont Steak & Chop	\$48.37	Meal for Principals and bookkeepers while filling out CRDC reports.
Vance, Jay L	8/6/2015	Claramont Steak & Chop	\$21.36	Meal for Principals, Superintendent, and Board members while developing/reviewing new policies.
Johnson, Heath	9/16/2015	Prengers	\$38.83	Meal for Principals before Region III meeting; Region III meeting was confirmed on 9/16/2015; this appears to be one-day travel.
Vance, Jay L	10/8/2015	Subway	\$9.53	Meal during travel to Bloomfield for volleyball student supervision; LCC Volleyball confirmed in Bloomfield on 10/8/2015; this appears to be one-day travel.
Shiers, TJ	12/9/2015	Prengers	\$31.98	Meal for Principals before Region III meeting; Region III meeting was confirmed on 12/9/2015; this appears to be one-day travel.
Vance, Jay L	12/16/2015	Claramont Steak & Chop	\$41.09	Meal for Principals and Superintendent during training for screening/interviewing candidates.
Johnson, Heath	2/8/2016	Rodeo’s Bar & Grill	\$59.08	Meal for Board before Board meeting.
Shiers, TJ	2/18/2016	Sonic Drive-In	\$11.19	Meal on the way back from State Wrestling in Omaha; State Wrestling confirmed in Omaha on 2/18/2016-2/20/2016; this appears to be one-day travel.
Total			\$271.82	

**It should be noted that four of the above transactions appear also under the Sales Tax Paid heading below, and five appear in Comment 3 under the Lack of Supporting Documentation heading.*

Per Neb. Rev. Stat. § 79-526(2) (Reissue 2014), the school board of a Class I, II, III, IV, or VI school district may expend funds for, among other things, meals that are “appropriate for the benefit, government, and health of pupils enrolled in the school district.”

Similarly, § 13-2203(1)(a) of the Local Government Miscellaneous Expenditure Act, which was referenced in Comment 2 (“Questionable Travel Expenses”) herein, allows designated political subdivisions, including school boards, to expend funds for “the payment or reimbursement of actual and necessary expenses incurred by elected and appointed officials, employees, or volunteers” while participating in certain events and activities. According to § 13-2203(1)(a)(iii), such authorized expenses may include “[m]eals and lodging at a rate not to exceed the applicable federal rate”

Whether meal expenses meet the requirements of either § 79-526 or § 13-2203(1)(a) is a matter left to the discretion of the Board. Nevertheless, some taxpayers could consider feeding Board members before meetings or bookkeepers while performing their paid duties, as described in the above table, to be unreasonable.

We recommend the Board implement procedures to ensure all expenditures, particularly meal expenses, are a reasonable use of School funds.

Sales Tax Paid

Sales taxes were paid on a number of purchases made with the School’s credit cards.

The APA obtained supporting documentation for 67 of the School’s 83 credit card transactions made in Nebraska for the period tested. Nebraska sales tax was paid for 25 of the 67 credit card charges. Additionally, one purchase from Pennsylvania was charged Nebraska sales tax.

Fund	Sales Tax Paid
General	\$181.40
Activity	\$48.33
Total	\$229.73

Title 316 NAC 1-092.01, which was promulgated by the Nebraska Department of Revenue, states, in part, the following:

The following educational institutions are exempt from payment of the Nebraska sales and use tax after the institution has applied for and received a Nebraska Exempt Organization Certificate of Exemption from the Nebraska Department of Revenue (Department):

092.01A A Nebraska public elementary or secondary school, or school district

Good internal controls require procedures to ensure that, as a tax-exempt entity, the School refrains from paying Nebraska sales tax on its purchases. Without such procedures, there is an increased risk for the loss or misuse of School funds.

We recommend the Board implement procedures to ensure Nebraska sales tax is not paid on School purchases.

Unallowable Expenses

- The School made a purchase that was described as “Sympathy Flowers,” which does not appear to be authorized under the Act.

The following transaction was for flowers and a sympathy card:

Cardholder	Transaction Date	Vendor	Amount	Description
Vance, Jay L	8/24/2015	Ava’s Flowers	\$62.93	Receipt was for flowers & a sympathy card and noted as being “Sympathy Flowers.”

On September 17, 1993, following adoption of the Act, the Nebraska Accountability and Disclosure Commission (NADC) issued “A Guideline to the Use of Public Funds by Cities and Villages” (Guideline). That document attempts to answer some commonly asked questions regarding the appropriate use of public funds.

One of the issues addressed in the Guideline is the purchase of flowers, as follows:

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

Response – No.

As determined by the NADC, purchasing flowers for a funeral is not permissible under the Act.

- A cake was purchased on a School credit card, and its cost was later reimbursed by the Superintendent. As set out below, that expenditure appears to have been of a personal nature:

Cardholder	Transaction Date	Vendor	Amount	Description
Klooz, Randall	8/18/2015	Dairy Queen	\$23.53	Receipt was for a 10” cake and noted as being “Paid by Mr. Klooz ck# 9427.”

Neb. Rev. Stat. § 13-610(2) (Reissue 2012) states that a political subdivision “may utilize its purchasing card program for the purchase of goods and services for and on behalf of the political subdivision.” Thus, there is no other allowable use for the School’s credit cards.

Because they are not expressly included in the language of § 13-610(2), personal purchases on the School’s credit cards are not permitted, regardless of whether those expenditures are repaid. Similarly, subsection (6) of that same statute says that the purchasing cards may not be used “for any unauthorized use as determined by the governing body.”

- The School purchased multiple gift cards during the period tested, as detailed in the following table:

Cardholder	Transaction Date	Vendor	Amount	Description
Klooz, Randall	9/2/2015	Apple iTunes	\$25.00	iTunes Gift Card for special education.
Klooz, Randall	9/5/2015	Apple iTunes	\$50.00	iTunes Gift Card for special education.
Klooz, Randall	9/5/2015	Apple iTunes	\$50.00	iTunes Gift Card for volleyball.
Klooz, Randall	9/10/2015	Apple iTunes	\$(50.00)	iTunes Gift Card refund.
Johnson, Heath	12/18/2015	Barnes&Noble.com	\$20.00	Peanuts eGift Card for the elementary top reader prize.
Total			\$95.00	

There was no documentation, including even a basic log, to support either the purposes for which the gift cards were disbursed or their recipients.

More importantly, Section 13-2203(3) of the Act specifies the types of gifts that may be purchased with public funds. That statute permits the following:

The expenditure of public funds for plaques, certificates of achievement, or items of value awarded to elected or appointed officials, employees, or volunteers, including persons serving on local government boards or commissions. Before making any such expenditure, the governing body shall, by official action after a public hearing, establish a uniform policy which sets a dollar limit on the value of any plaque, certificate of achievement, or item of value to be awarded. Such policy, following its initial adoption, shall not be amended or altered more than once in any twelve-month period.

Due to the lack of proper supporting documentation, the APA was unable to determine whether the School dispersed the gift cards at issue in accordance with 13-2203(3).

A good internal control plan and sound business practices require procedures to ensure that School funds are expended in accordance with relevant State statutes, and supporting documentation is maintained to verify such statutory compliance. Those procedures should also ensure that School credit cards are not used for private purposes, even if the expenditures are fully reimbursed. Without such procedures, there is an increased risk for not only the loss or misuse of School funds but also the violation of State law.

We recommend the Board implement procedures to ensure both the lawful expenditure of School funds and the maintenance of documentation sufficient to support any such costs. Those procedures should also prohibit the use of the School credit cards for private purposes, regardless of whether purchases are reimbursed.

School's Overall Response: Thank you for your thorough review of the School District's business procedures and Board of Education policy. The School District will be implementing those procedures and processes as suggested.

* * * * *

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. Nevertheless, our objective is to use the knowledge gained during the preliminary planning work to make comments and suggestions that we hope will be useful to the School.

Draft copies of this letter were furnished to the School 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 indicated corrective action has been taken were not verified at this time.

This communication is intended solely for the information and use of the School 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 cursive script that reads "Mary Avery".

Mary Avery
Special Audits and Finance Manager
Phone 402-471-3686
mary.avery@nebraska.gov