

## Internal Audit Process

*If you are selected for a NPERS audit, be aware of the internal audit process and requirements. The following is an example of the information that will be required for our audit:*

**NPERS will send to you a School Employer Questionnaire along with a letter requesting that the questionnaire be completed and returned with the following information:**

- A copy of your March 2016 Payroll Register Detail (all employees).
- A copy of your school districts 2015-2016 Master or Negotiated Agreement.
- The employees selected for payroll testing. *For those employees please provide the following:*
  1. Social security number
  2. Demographic information (address)
  3. Date of birth
  4. Date of hire
  5. Employment position
- For the employees who were selected for payroll testing (**identified above**) please also provide:
  1. Copy of their 2015-2016 Employment Agreement to include hourly wage or annual salary amounts.
  2. If the employee is an hourly employee, you will need to provide copies of their timecards (February 2016) that is applicable to the wages that were paid on the March 2016 payroll detail.
  3. If the employee is not an hourly employee, you will need to explain how you determined the amount of hours that were reported to NPERS for the March 2016 reporting period (be specific).
  4. For those selected employees, you will need to review their March 2016 payroll detail to determine if additional documentation is required. If gross wages paid include compensation in addition to their monthly wage; you must provide documentation to support the compensation that was paid. **All gross wages must be accounted for.**
  5. If your school did not settle their negotiations until after the start

of the school year, please include that information with our request for information.

- For all employees on the March 2016 Payroll Register Detail who did not contribute to retirement you will need to provide documentation identifying how many hours the employee worked **each month July 1, 2015 through June 30, 2016**. Documentation may include:

1. An hour's report that specifically identifies the month and how many actual hours the employee worked that month (Bus Drivers for example, if your report represents units, units must represent actual hours worked and not the total amount of "routes") **OR**

- a. **If you are not able to provide a payroll report that indicates how many hours the employee worked each month, we will accept a copy of their Payroll Register Detail IF your payroll detail indicates hours worked.**
- b. **If you are not able to provide documentation as described above, we will need a copy of employee timecards that identify how many hours the employee worked that payroll period (timecards should include the total hour's amount).**

2. If the non-contributing employee worked as a **substitute**, we will accept a payroll report that supports the employee worked in a substitute position (date and name of employee substituting for).

- a. **If you are not able to provide a payroll report, we will accept a copy of their payroll register detail for each month IF your payroll detail describes the compensation being paid as SUB wages.**

- b. **If you are not able to provide documentation as described above, we will need a copy of their substitute log; indicating when and who they substituted for.**

3. Hours for ALL services must be accounted for. For example, if the employee worked as a substitute AND provided extra duty service, we need to receive documentation for both.

4. If the employee did not work at all during that month, you must indicate that zero hours were worked. ALL months July 1, 2015 through June 30, 2016 must be accounted for.

**\*PLEASE NOTE:** Information that is hand written or provided in a spreadsheet without the documentation described above, is not acceptable documentation for auditing purposes.

### Changes to Disability Retirement Eligibility

One of the bills passed during the 2016 legislative session could have an impact on reporting agent duties. LB 447, as amended by AM1979 & AM2282, removed the statutory language allowing payment of disability retirement benefits to individuals who worked less than 20 hours a week as a school (ESU, etc.) employee. Under the new legislation, disability retirement benefits must cease when a member provides any service as a school employee, or if a physician certifies the member is no longer disabled for service as a school employee. This would include service provided as a substitute, or voluntary service.

Reporting agents should be mindful that individuals receiving disability retirement benefits can no longer provide service and continue to receive disability retirement. Please contact our office if you believe you have an active employee who is drawing disability retirement from NPERS.

# Top Audit Issues

## 1. Documentation of Hours for ALL Non-Contributing Employees

You must be able to support why an employee is enrolled in the retirement plan as well as why an employee is not enrolled in the retirement plan. Retirement eligibility is based on hours worked therefore, you must be able to provide documentation to support how many hours they worked each month during the fiscal year. This pertains to employees who only provide extra duty services as well. If an employee is a substitute, we will require documentation to support the substitute position (not timecards).

## 2. Enrollment of Part-time employees

Caution when enrolling part-time employees in the retirement plan towards the end of the school year. A permanent employee initially hired at less than 20 hours per week who provides service for 20 hours or more per week (80 hours per month) in any three calendar months of a plan year must be enrolled in the retirement plan for the next payroll period. If a part-time employee does not meet the hour requirement for three reporting periods during the fiscal year, they are not eligible to participate in the retirement plan.

## 3. Employees Who Return to Employment

If an employee who was previously employed with your school district and participated in the retirement plan is rehired and continues to have an account balance with NPERS (is not receiving a benefit or did not take a refund) they must begin contributing to the retirement plan upon rehire unless the employee is rehired as a true substitute.

## 4. Non-Contributing Forms

Once an employee has qualified for and is participating in the retirement plan, the employee must remain in the plan until they retire or terminate, regardless of any reduction in hours or change in employment position. Non-Contributing forms inform NPERS as to why contributions have ceased and support the reason a lapse in contributions has occurred. This includes Military Leave and Leave of Absence.

## 5. Bus Hours

It is common for school employers to pay bus drivers per route. However, in determining retirement eligibility it is necessary to monitor how many hours the employee actually worked. If the employee is retirement eligible, actual hours worked (and not the number of routes) should be reported to NPERS. Not reporting actual hours worked will have a direct effect on the employees service credit earned.

And the **FYE15 Audit Award** goes to...

**ESU #4!**



Congratulations!  
ESU #4 was audited during FYE15 and no audit issues were noted. This also includes their internal processes indicated on the Employer Questionnaire. **Nice job ESU #4!**

## OUR PURPOSE...

The School Employees Retirement Plan is governed by Nebraska State Statutes §79-901 – 79-977.03. In administering the schools retirement plan, the Board is directed by Neb. Rev. Stat. §84-1503(1)(g) to “adopt and implement procedures in order to verify the accuracy of such information.” Regarding the School Plan, Neb. Rev. Stat §79-906(1) provides, “The director shall, from time to time, carry out testing procedures pursuant to section 84-1512 to verify the accuracy of such information.” The NPERS Director has asked the NPERS Internal Audit Team to perform such testing.

This newsletter is intended to identify areas often found in non-compliance with state statutes and provide information on how to be “audit point free.” We will also inform you of our internal audit process and what NPERS will require if you are selected for an audit.

## INTERNAL AUDIT STAFF...

If you have any questions, need clarification, or **would like to be selected for an internal audit**, please contact a member of the Internal Audit Team.

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## PLEASE NOTE:

**A week is defined as 7 days. In order for a month to have 5 work weeks there must be 5 full weeks in that pay period. Four weeks and 3 days is not considered a 5-week month.**