

Internal Auditing

NEWSLETTER

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (NPERS)

TOP FIVE AUDIT ISSUES

1

Documenting eligibility or ineligibility: You must be able to support why an employee was OR was not enrolled in the retirement plan. Eligibility is based on hours worked; therefore, you must be able to provide documentation to support how many hours all employees work each month during the plan year (July 1 – June 30). This includes 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: Permanent employees hired to work an average of at least 20 hours per week on an ongoing, regular basis must immediately begin participation in the plan. Employees hired to work less than this criteria are not eligible to participate, but you still need to monitor their hours worked. A permanent, part-time employee initially hired at less than 20 hours per week, who subsequently provides service for an average of 20 hours or more per week in any three calendar months of a plan year, must begin plan participation the next payroll period.

3

Bus Hours: It is common for school employers to pay bus drivers per route. However, when 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) must be reported to NPERS. The actual hours worked is needed for NPERS to accurately grant service credit.

4

Participation of Rehired Employees: All rehired employees must return to plan participation if they previously established eligibility at your school UNLESS they have taken a refund or retirement benefit, or are returning to employment as a “true substitute.” A true substitute is an individual providing service on a temporary, irregular basis to fill in for temporarily absent employees. A true substitute is NOT an individual hired as a regular employee on an ongoing basis to assume the duties of temporarily absent employees.

5

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 document the reason a lapse in contributions has occurred. This includes Military Leave and Leave of Absence.

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 an 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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INTERNAL AUDIT PROCESS

The following is a brief summary of the internal audit process and requirements. NPERS will email you an introductory letter and a School Employer Questionnaire. We will indicate the employees selected for testing and when the completed questionnaire and supporting documentation is due. The following information is an example of what we will request:

1. A copy of your March 2018 Payroll Register Detail (for all employees). Please include the payroll summary information/reports.
2. A copy of your school districts 2017-2018 Master or Negotiated Agreement, including salary scale information.
3. For those employees selected for testing, please provide the following:
 - Social Security number
 - Demographic information (address)
 - Date of birth
 - Date of hire
 - Employment position
4. For the employees who are also selected for payroll testing, please provide:
 - A copy of their 2017-2018 Employment Agreement, including hourly wage or annual salary amounts.
 - If the employee is an hourly employee, please provide copies of their timecards (February 2018) that support the wages paid on the March 2018 payroll detail.
 - If the employee is not an hourly employee, please document how you determined the amount of hours reported to NPERS for the March 2018 reporting period (be specific).
 - All gross wages paid to the selected employees must be documented.
 - If the gross wages paid on the March 2018 payroll detail include compensation in addition to their monthly wage, please provide documentation to support the total amount paid.
 - Please confirm if there were any benefits paid.
 - If your school did not settle their negotiations until after the start of the school year, please include that information.
5. For all employees on the March 2018 Payroll Register detail who did not contribute to retirement, please provide documentation to support how many hours the employee worked each month, for the period from July 2017 through June 2018. Documentation may include:
 - If the non-contributing employee is not a true substitute, please provide a report that identifies each month and how many actual hours the employee worked. OR
 - 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 includes the hours worked.

- If you are not able to provide documentation as described above, please provide a copy of the employee's timecards that identify how many hours the employee worked each payroll period (timecards should include total hours).
 - For non-contributing bus drivers, please confirm the units paid represent actual hours worked and not the total number of routes driven.
 - If the non-contributing employee worked as a substitute, please provide a payroll report that identifies the dates, hours worked, and the name of the substitute and absent employee.
 - If you 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 substitute wages.
 - If you are not able to provide documentation as described above, please provide a copy of their substitute log, indicating when, and for whom, they substituted.
 - Document ALL hours for which the employee was paid. For example, if the employee worked as a substitute AND provided extra duty service, please provide documentation for both.
 - If the employee did not work at all during a month, you must indicate that zero hours were worked. ALL months from July 1, 2017 through June 30, 2018, must be documented.
- *** Please note – information that is hand written or provided in a spreadsheet without documentation as described above is not adequate documentation for auditing purposes. We need the original source documentation. In addition, it is preferred that the information is by employee and not by pay period. For example, July 2017 through June 2018 hours for employee A is separate from the July 2017 through June 2018 hours for employee B, etc.
6. Finally, for new members enrolled during the audit period, please confirm the date of hire for each employee.
 7. To complete the audit process:
 - We will send a final audit letter with the audit report to identify audit findings or concerns noted during the audit.
 - Please provide any requested audit response(s), within 20 days.
 - Return any requested documentation to NPERS as soon as possible, to support the correction of any audit findings.
 - The audit will be completed after all audit findings have been adequately resolved.