

# Internal Auditing

July 2014

NEWSLETTER

School Employer Workshops  
Nebraska Public Employees Retirement Systems (NPERS)

## 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 January 2014 Payroll Register Detail (all employees).
- A copy of your school district's 2013-2014 Master or Negotiated Agreement.
- The selected employees for payroll testing.  
*For those employees please provide the following:*
  - Social security number
  - Demographic information (address)
  - Date of birth
  - Date of hire
  - Employment position

For the employees who were selected for payroll testing please also provide:

- A copy of their 2013-2014 Employment Agreement to include hourly wage or annual salary amounts.
- If the employee is an hourly employee, you will need to provide copies of their timecards (December 2013) that is applicable to the wages that were paid on the January 2014 payroll detail.
- If the employee is not an hourly employee, you will need to explain how you determined the amount of hours reported to NPERS for the January 2014 reporting period (be specific).

- For those selected employees, you will need to review their January 2014 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.**
- 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 January 2014 Payroll Register Detail who did not contribute to retirement you will need to provide documentation identifying how many hours the employee worked **July 1, 2013 through June 30, 2014.** Documentation may include:

- An hours 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

- Copy of employee timecards that identify how many hours the employee worked that payroll period (timecards should include the total hours amount).
- If the non-contributing employee worked as a **substitute**, we will need to receive a copy of your substitute "log" (and not timecards) identifying when the employee worked.
- If the employee did not work at all during that month, you must indicate that zero hours were worked. All months July 1, 2013 through June 30, 2014 must be accounted for.

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

### Our Purpose...

The School Employees Retirement Plan is governed by Nebraska State Statutes §79-901 – 79-977.03, in addition to the Nebraska Administrative Code Title 303 Chapter 24. 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 Internal Audit Team is then responsible for performing 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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# Top Audit Issues

## 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 that the employee is no longer employed with your school district.

## Documentation:

One of the primary keys to a successful audit is documentation. It is necessary to ensure you can provide documentation to support gross wages that are reported to NPERS; employee contracts; employee salary and hourly wage amounts; and how many hours your employees work each month (etc). **PLEASE** pay attention to the information that is requested/required to complete our audit. On several audits we are not receiving ALL of the information that has been requested (or we are not receiving the correct information). This is causing huge delays as we have to contact many employers several times in attempt to receive the information that is needed. It is essential that all of the information is provided with your first response.

## Employee eligibility and ineligibility for the retirement plan:

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. Whether or not you enroll an employee in the retirement plan, you must be able to provide sufficient documentation to support your decision for time-

card employees as well as contract employees. Retirement eligibility is based on hours worked. Therefore, you must be able to provide documentation to support how many hours the employee works for each month during the school year, or a substitute log if the employee is a substitute.

## Compensation:

002.02 Converted into cash payments means, with respect to benefits such as unused leave or employer-paid insurance premiums, an arrangement whereby a member has individually arranged with his or her employer to receive an equivalent amount of cash, in lieu of receipt of the actual benefit. **Such compensation is ineligible compensation for retirement purposes.**

002.03 Flat salary means a fixed dollar amount provided for in a member's contract of employment that is paid by the employer to the member with respect to each pay period, with such member may voluntarily choose to receive in cash, apply to insurance premiums, or apply to a plan offered by employer under the Internal Revenue Code to defer or exclude certain amounts from income, or allocate based on a combination of the foregoing. **Such compensation is eligible compensation for retirement purposes.**

## Follow-up/Correction of Audit Issues:

Once you receive your final audit letter it is necessary that all corrections and or adjustments are completed in a timely manner. The audit is not actually "completed" until all issues have been resolved.

**And the FYE14 Audit Award goes to....**



**ESU #5!**

ESU #5 was audited during FYE14 and no audit issues were noted. This also includes their internal processes indicated on the Employer Questionnaire.

*Nice job ESU #5!*

## **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.