

# Internal Auditing

July 2015

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 March 2015 Payroll Register Detail (all employees).
- A copy of your school district's 2014-2015 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 (*identified above*) please also provide:

- A copy of their 2014-2015 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 (February 2015) that are applicable to the wages that were paid on the March 2015 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 March 2015 reporting period (be specific).

- For those selected employees, you will need to review their March 2015 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 March 2015 Payroll Register Detail who did not contribute to retirement, you will need to provide documentation identifying how many hours the employee worked **July 1, 2014 through June 30, 2015**. 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**, and your payroll detail identifies wages paid are for substitute services, we will need a copy of their payroll detail for each month, July 2014-June 2015. However, if your payroll detail does not identify their pay as substitute pay, we will need a copy of their substitute log; indicating when and for whom they substituted.
- If the employee did not work at all during that month, you must indicate that zero hours were worked. All months July 1, 2014 through June 30, 2015 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.

### 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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### 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. 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.

# 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.

## Substitutes:

Neb. Rev. Stat. § 79-902 (38) reads, "Substitute employee means a person hired by a public school as a temporary employee **to assume the duties of regular employees due to a temporary absence** of any regular employees. Substitute employee does not mean a person hired as a regular employee on an ongoing basis to assume the duties of other regular employees who are temporarily absent." If your payroll coding does not identify pay as substitute wages, it is necessary for you to be able to support the substitute position such as when and who they worked for. A substitute employee is not a regular employee who works part-time as needed.

## 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.

## 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.

## 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.

## 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. **Please refer to your School Employer Manual concerning adjustments. NPERS receives many adjustment forms that are not completed correctly.**

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



# ESU #9!

ESU #9 was audited during FYE15 and no audit issues were noted. This also includes their internal processes indicated on the Employer Questionnaire.

*Nice job ESU #9!*

## 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.