



**Audit Report of the Nebraska Public Employees Retirement Systems
 School Employees, Judges, and State Patrol Retirement Plans
 July 1, 2001 through June 30, 2002**

Report Highlights

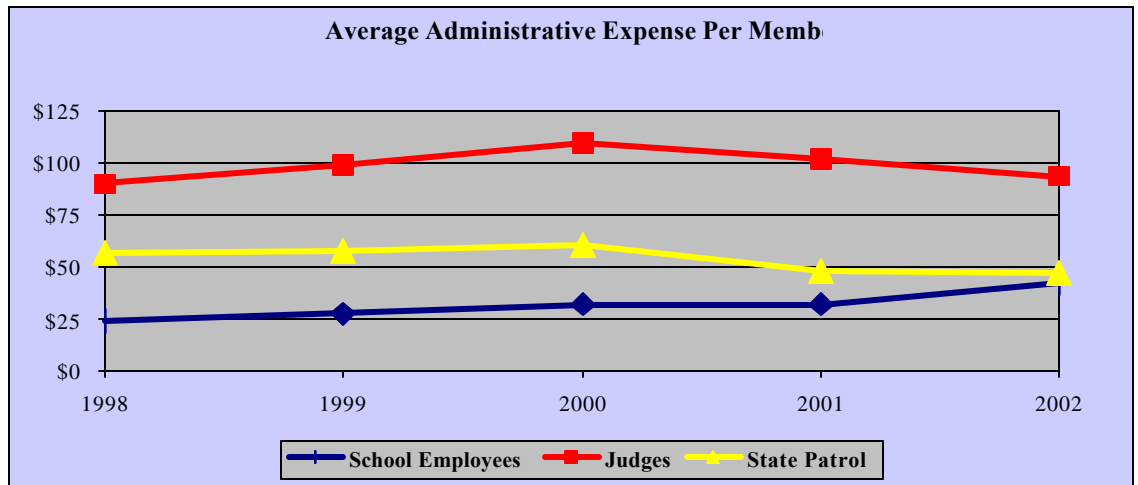
Issued March 2003

Comments and Recommendations

- Sampling and monitoring procedures for school district payroll records were inadequate
- Calculations for cost of living adjustments were not consistent with Statutes
- An expense allocation method was not compared to actual time worked
- A vendor received a \$5,000 contract overpayment
- Payments were made for unallowable or unreasonable travel expenses
- The internal auditor was not performing the duties set by the Legislature when the position was created

Our report included six Comments and Recommendations relating to internal controls, procedures, and compliance with State laws. Our recommendations were as follows:

- **School District Payroll Records.** We recommend NPERS: implement procedures to ensure information reported by employers is accurate through sampling and monitoring procedures, in accordance with the statutes; implement procedures to ensure the compensation reported by the school districts is accurate and in accordance with Statutes; follow up on the specific school districts identified during testing and communicate to them any corrective action necessary; and implement procedures to ensure all eligible and only eligible employees are contributing to the Plan.
- **COLA Calculations.** We again recommend NPERS ensure the Cost of Living Adjustment calculation methodology and the Statutes are in agreement.
- **Expense Allocation Method.** In order to be in compliance with State Statutes, we recommend NPERS compare the estimated time spent on each Plan to actual time worked. We also recommend procedures be implemented to ensure the percentages used to allocate expenses to all Plans are applied consistently.
- **Overpayment on Contract.** We recommend NPERS implement procedures to ensure payments on all contracts are monitored to avoid overpayment of contractual amounts, and review their procedures to ensure the effectiveness of the pre-audit function.



- **Unallowable/Unreasonable Travel Expenses.** We recommend NPERS ensure all employees and Board members are aware of applicable State policies and guidelines regarding the reimbursement of travel expenses. We also recommend NPERS review its procedures, particularly in the pre-audit function, to ensure expenses reimbursed to employees and Board members are reasonable and in accordance with DAS policies and federal per diem guidelines.
- **Internal Auditor Position:** We recommend NPERS review the duties performed by the internal auditor position to ensure the duties being performed are consistent with the legislative intent for the position.

We have detailed our findings, the Board's responses, and our responses in the Comments and Recommendations section of the report, which can be found at www.auditors.state.ne.us.