



Audit Report of the Nebraska Public Employees Retirement Systems - State and County Employees Retirement Plans January 1, 2005 though December 31, 2005

KATE WITEK, AUDITOR OF PUBLIC ACCOUNTS
STATE CAPITOL, SUITE 2303
LINCOLN, NEBRASKA 68509 (402)471-2111

Report Highlights

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Our report included 13 Comments and Recommendations. A summary of the Comments is listed below:

- 1. Accounting Issues:** Information provided by the NPERS accounting staff contained several errors which created extra work for the audit staff to verify and correct. There was limited knowledge of newly implemented accounting standards by NPERS accounting staff; no review was performed of information provided to the auditors by a second accountant or the Accounting Manager to ensure its accuracy; and errors were noted in percent allocations and calculations.
- 2. Alternate Vesting Dates and Employer Forfeitures:** There were 2 of 29 State Plan members and 1 of 30 County Plan members tested with an incorrect vesting date in OMNI. In addition, we noted NPERS did not verify members were properly vested when they terminated within 3 months of their vesting date. There was 1 State Plan member and 3 County Plan members tested whose employer accounts were either improperly forfeited or improperly paid out.
- 3. Required Minimum Distributions:** NPERS did not have adequate procedures to ensure required minimum distributions were properly calculated, paid timely, or were paid in accordance with Federal regulations, State statutes, and NPERS policy.
- 4. Dividend Interest:** Interest on the 2004 dividend for the Cash Balance Benefit members was not calculated and applied to members' accounts. The dividend earned approximately \$175,457 in interest for the State Plan and \$50,132 in interest for the County Plan between January 1, 2005, and June 24, 2005, when the dividend was distributed.
- 5. County Plan Payroll Testing:** We sampled payroll records in 23 counties and noted 8 counties did not adequately monitor non-participating, part-time employees' hours worked to ensure the mandatory contributions begin on time. There were also 8 employees that were not properly contributing to the Plans, two employees that began contributing to the Plan prior to becoming eligible, and one employee incorrectly contributed to the Plan for reimbursed expenses.
- 6. Required Contribution Procedures:** NPERS did not implement adequate procedures to ensure all required contributions were remitted. For 10 of 25 employees tested there was no documentation available to support NPERS had followed up on the individuals. One individual's vesting date was not properly adjusted after missed contributions were remitted and two rehired individuals did not begin contributing within 60 days per statute.
- 7. Inadequate Resolution of Prior Year Findings:** NPERS inadequately resolved findings noted in prior audits from 2004 back to 2000 for the State and County Plans.
- 8. Plan Membership Eligibility:** NPERS did not have adequate procedures to ensure only eligible employees entered the Plans. There was 1 of 30 State Plan members and 1 of 30 County Plan members who began contributing to the Plans before eligibility requirements were met.
- 9. PIONEER Concerns:** We have identified areas of concerns or areas where improvement to PIONEER is needed to ensure the integrity of member data.
- 10. Member Address Changes:** NPERS did not have adequate procedures to ensure address changes made to the OMNI system were properly authorized.
- 11. Initial Contributions:** NPERS did not clearly state whether initial contributions should be pro-rated for the pay period that included the initial contribution. There were 16 of 29 new State Plan members tested whose initial retirement contribution was pro-rated by the system.
- 12. Required Rules and Regulations:** We noted six State statutes that reference a corresponding rule and regulation, but NPERS did not have official rules and regulations for the statutes. In addition, one State statute required the Board to set a date for late fees. The Board had not set a date.
- 13. Reconciliation of Bank Records to the Nebraska Information System:** The Department of Administrative Services reconciliation process is still not done in a timely manner and continues to reflect unknown variances.

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