NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

November 5, 2026

Tag Herbek, Interim Director
Nebraska Public Employees Retirement Systems
1526 K Street, Suite 400
Lincoln, Nebraska 68509-4816

Janis Elliott, Chair
Public Employees Retirement Board
1526 K Street, Suite 400
Lincoln, Nebraska 68509-4816

Dear Mr. Herbek and Ms. Elliott:

This letter is provided pursuant to American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.A18, which permits the early communication of audit findings due to their significance and the urgent need for corrective action. The audit work addressed herein was performed as part of the fiscal year ended June 30, 2026, audit of the Nebraska Public Employees Retirement Systems (NPERS) – School Employees, Judges, and State Patrol Retirement Plans. This communication is based on our audit procedures through October 28, 2026. Because we have not completed our fiscal year 2026 audit of the NPERS – School Employees, Judges, and State Patrol Retirement Plans, additional matters may be identified and communicated in our final report.

In planning and performing our audit of the financial statements of the NPERS – School Employees, Judges, and State Patrol Retirement Plans, as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the NPERS – School Employees, Judges, and State Patrol Retirement Plans' system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NPERS – School Employees, Judges, and State Patrol Retirement Plans' internal control. Accordingly, we do not express an opinion on the effectiveness of NPERS – School Employees, Judges, and State Patrol Retirement Plans' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the second paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses and significant deficiencies may exist that were not identified.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the NPERS – School Employees, Judges, and State Patrol Retirement Plans and the Public Employees Retirement Board (PERB), or other operational matters, which are presented below for your consideration. The following comments and recommendations, which have been discussed with the appropriate members of NPERS and the PERB, are intended to improve internal control or result in other operating efficiencies.

Draft copies of this early management letter were furnished to NPERS and the PERB to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal responses received have been incorporated into this early management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the responses to the findings. The responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

Background Information

The PERB was created in 1971 to administer Nebraska retirement plans for school employees, State employees, judges, and the State Patrol. The PERB assumed administration of the retirement system for Nebraska county employees in 1973. The PERB has nine members appointed by the Governor, with legislative approval, to five-year terms. Seven of the appointed members must be active or retired participants in the retirement system. Furthermore, the State Investment Officer serves as a nonvoting, ex-officio PERB member.

The PERB hires an Executive Director to manage the day-to-day operations of NPERS. Expenses are to be distributed equitably among the retirement systems. All expenses must be provided from investment income earned by various retirement funds, unless other fund sources to pay expenses are specified by law.

The Auditor of Public Accounts (APA) received several concerns regarding the former NPERS Executive Director, Thomas Pfeifle, including questionable work hours and certain personnel issues. Worse yet, Mr. Pfeifle continued to receive salary payments subsequent to his resignation on September 21, 2026, which the PERB accepted to be effective as of October 31, 2026.

Furthermore, the APA found that the contents of the resume Mr. Pfeifle submitted when applying for the position at NPERS were altered on at least three separate occasions, making changes to his work history and professional experience. It was learned also that, within weeks after beginning his tenure at NPERS, Mr. Pfeifle was actively seeking employment elsewhere.

The following timeline chronologizes significant events pertaining to Mr. Pfeifle's employment as the NPERS Executive Director:

- **November 17, 2025 –** During its public meeting held on this day, the PERB unanimously approved a motion to hire Ford Webb Associates, Inc., for the NPERS Executive Director's search at a cost not to exceed $49,999.99.
- **December 1, 2025 –** The PERB executed a contract with Ford Webb Associates, Inc., for the NPERS Executive Director's search.
- **April 20, 2026 –** During its public meeting held on this day, the PERB Personnel Committee interviewed three finalists for the NPERS Executive Director position.
- **May 18, 2026 –** During its public meeting held on this day, the PERB unanimously approved a motion to hire Mr. Pfeifle for the NPERS Executive Director position.
- **June 8, 2026 –** Mr. Pfeifle began his first day as a State employee and Executive Director of NPERS.
- **June 15, 2026 –** During its public meeting held on this day, the PERB unanimously approved a motion for the appointment of Mr. Pfeifle as Executive Director of the Nebraska Public Employees Retirement Systems, retroactive to June 8, 2026, with a twelve-month annual base salary of $205,000.
- **July 8, 2026 –** Mr. Pfeifle sent an email from his personal email address to a major financial services company and retirement plan provider to solicit possible employment.

- **September 4, 2026 –** Mr. Pfeifle drafted and signed a letter resigning from his position as NPERS Executive Director effective September 18, 2026. This letter was scanned in, and Mr. Pfeifle had drafted an email to the PERB Chairperson and Vice-Chairperson; however, the email was ultimately deleted and not sent.
- **September 8, 2026 –** Mr. Pfeifle drafted another email to the PERB Chairperson and Vice-Chairperson with his signed resignation letter attached but ultimately deleted the email prior to sending it out. Later in the morning, Mr. Pfeifle met with the PERB Chairperson and members of the PERB Budget and Personnel Committee. After this meeting, the PERB Budget and Personnel Committee Chair provided Mr. Pfeifle with a copy of the personal improvement plan that he was ordered to follow for the period September 8, 2026, through November 13, 2026. The personal improvement plan listed several areas of improvement, including proper use of work time and other matters.
- **September 9, 2026 –** After arriving late to work at 9:25 a.m., Mr. Pfeifle emailed the PERB Chairperson and Vice-Chairperson apologizing for the tardiness and stating that he is committed to following the personal improvement plan.
- **September 11, 2026 –** Mr. Pfeifle submitted his first update to the PERB Chairperson and Budget and Personnel Committee members regarding the progress he has made on his personal improvement plan.
- **September 18, 2026 –** The State Personnel Director sent an email to Mr. Pfeifle explaining that he has been requested by the PERB Chairperson to review and investigate matters recently brought to the Chairperson's attention. In doing so, the email explained, the State Personnel Director would need to speak with Mr. Pfeifle regarding certain claims and events. Mr. Pfeifle informed the State Personnel Director that he would be available to meet after 1:30 p.m. on September 21, 2026. Later that same day, Mr. Pfeifle sent an email to the PERB Chairperson and Budget and Personnel Committee members providing another update on his personal improvement plan progress.
- **September 21, 2026 –** Mr. Pfeifle sent an email to the PERB Chairperson and Vice-Chairperson, as well as the State Personnel Director, resigning from his position as NPERS Executive Director effective October 31, 2026. Mr. Pfeifle also returned his State-issued property, including his computer, phone, and access badge, on this day. As a result, the State Personnel Director did not conduct his scheduled interview with Mr. Pfeifle.
- **September 30, 2026 –** During its public meeting held on this day, the PERB unanimously approved a motion to accept the resignation of Executive Director Thomas Pfeifle, effective October 31, 2026.
- **October 6, 2026 –** State Auditor Mike Foley issued a press release notifying NPERS and the PERB of his concerns about their intention to continue paying Mr. Pfeifle his full salary and benefits for the five weeks after he submitted his resignation. On this same day, the APA held an entrance conference with members of NPERS and the PERB for the fiscal year 2026 audit of NPERS – School Employees, Judges, and State Patrol Retirement Plans. During the entrance conference, State Auditor Mike Foley asked directly whether NPERS and the PERB planned to continue to pay the former Executive Director – who, they knew, had not performed any work since resigning over two weeks earlier. An NPERS representative responded simply, "No comment."
- **October 14, 2026 –** An interim payroll check, processed the day before, of $7,884.81 in gross pay, was issued to Mr. Pfeifle for regular work hours not actually performed.
- **October 19, 2026 –** The APA attended the PERB public meeting held on this day. During the meeting, the PERB went into executive session to discuss, among other things, personnel matters. However, no public discussion or formal action was taken by the PERB regarding the former Executive Director.
- **October 28, 2026 –** A second interim payroll check, processed the day before, of $7,884.81 in gross pay, was issued to Mr. Pfeifle for regular work hours not actually performed.

The following are our early management letter comments and recommendations for the year ended June 30, 2026, audit of the NPERS – School Employees, Judges, and State Patrol Retirement Plans.

1. Payments to Former Executive Director

As detailed in the above timeline, Thomas Pfeifle submitted his resignation as Executive Director of NPERS on September 21, 2026. That resignation was accepted and approved by the PERB to be effective as of October 31, 2026. However, it is the APA's understanding that Mr. Pfeifle has not worked a single day at NPERS since submitting his resignation and turning in all of his State-issued property.

Nevertheless, as of October 28, 2026, Mr. Pfeifle has received two interim payroll checks, totaling $15,769.62 in gross pay and $8,689.93 in net pay, and is slated to receive another for the bi-weekly pay period between October 19, 2026, through November 1, 2026. The table below summarizes those payments:

Check Date	Pay Period Begin Date	Pay Period End Date	Pay Rate	Total Hours	Total Estimated Gross Pay
10/14/2026	9/21/2026	10/4/2026		80.00	$ 7,884.81
10/28/2026	10/5/2026	10/18/2026	$ 98.56	80.00	$ 7,884.81
11/10/2026	10/19/2026	11/1/2026		80.00	$ 7,884.81
			Totals	**240.00**	**$ 23,654.43**

It is important to note that, as of October 28, 2026, the third payment of $7,884.81 has yet to be made to Mr. Pfeifle. For the checks dated October 14, 2026, and October 28, 2026, an interim payroll was initiated by NPERS staff and processed by the Nebraska Department of Administrative Services' State Accounting Office (DAS – State Accounting). DAS – State Accounting's website (https://das.nebraska.gov/accounting/interim-payroll.html) states the following regarding interim payroll processing:

> *State Accounting recognizes that emergency situations do occur which require an interim payroll payment. Because of the substantial manual effort involved for both the agency and the State Accounting Office, agencies are asked to request interim payments only, in those situations when payments absolutely **CANNOT** be made in a normal pay cycle. EnterpriseOne is designed to allow maximum flexibility for adjusting employee income and deductions in the normal pay cycle.*
>
> *When making a request for an interim payment, two Worksheets must be submitted to State Accounting:*
>
> 1. *The current Pay Calculation Worksheet should be completed prior to completing the Interim Payroll Worksheet. This worksheet will help agencies in determining the amount to withhold for the employee. These amounts are then entered on the Interim Payroll Worksheet.*
>
> 2. *The Interim Payroll Worksheet should be completed to provide a detailed explanation for the need for the Interim Payment. In the field for "Detailed Reason for Interim", please provide enough information so that the person processing the Interim for you understands what is happening. The lack of a thorough explanation could delay the process. In addition, the request **must** have the proper authorization or processing could be delayed.*

The following image is an excerpt from the October 14, 2026, interim payroll worksheet submitted by NPERS staff to DAS – State Accounting:

Detailed Reason for Interim:
Apparently former executive director needed to be paid. No documentation for hours was submitted for pay. Waited as long as possible for documentation but none was provided.
Date Interim Should Be Paid: 10/14/2026
Please fill out the full form - once done click the button below to email a copy of this form to State Accounting.

The APA challenges the propriety of these payments to the former Executive Director if no documentation was provided to substantiate the hours supposedly worked – especially given the fact, as noted previously herein, that he was absent for almost the entirety of the pay period.

In addition to the $23,654.43 in gross pay, the former Executive Director is currently earning additional vacation leave and other benefits through his effective resignation date of October 31, 2026. NPERS is paying $952.12 for the employer portion of benefits, State Retirement and health insurance, for the former Executive Director, totaling $2,856.36, for the three bi-weekly pay periods for which he did not work. As the former Executive Director has continued to earn vacation and sick leave during this period, the APA expects NPERS to pay an extra $1,367.52 for leave earned. This amounts to $27,878.31 in compensation during a period wherein the former Executive Director did not provide any services to NPERS.

According to his May 18, 2026, employment agreement with the PERB, Mr. Pfeifle was an at-will employee, meaning that he could be terminated "at any time." The following is the specific language of the agreement:

> This offer of employment is not a guaranty of employment for a specified period of time. Your employment may be terminated at any time by the PERB in accordance with state law.

Apart from challenging the $23,654.43 in gross pay that Mr. Pfeifle will have been paid for performing no work, the APA questions whether it was appropriate for the PERB to accept an October 31, 2026, effective date for his resignation – especially when nothing in the employment agreement with him required it.

In addition to the questioned payroll payments made subsequent to his resignation on September 21, 2026, the APA identified several days during his tenure as NPERS Executive Director for which Mr. Pfeifle did not accurately record his hours worked based on documentation and information we obtained, including his access card logs, computer log-in records, and his State email account.

Using access card logs, computer log-in records, and his State email account, the APA was able to confirm four days for which Mr. Pfeifle appears to have been overpaid, as summarized in the following table:

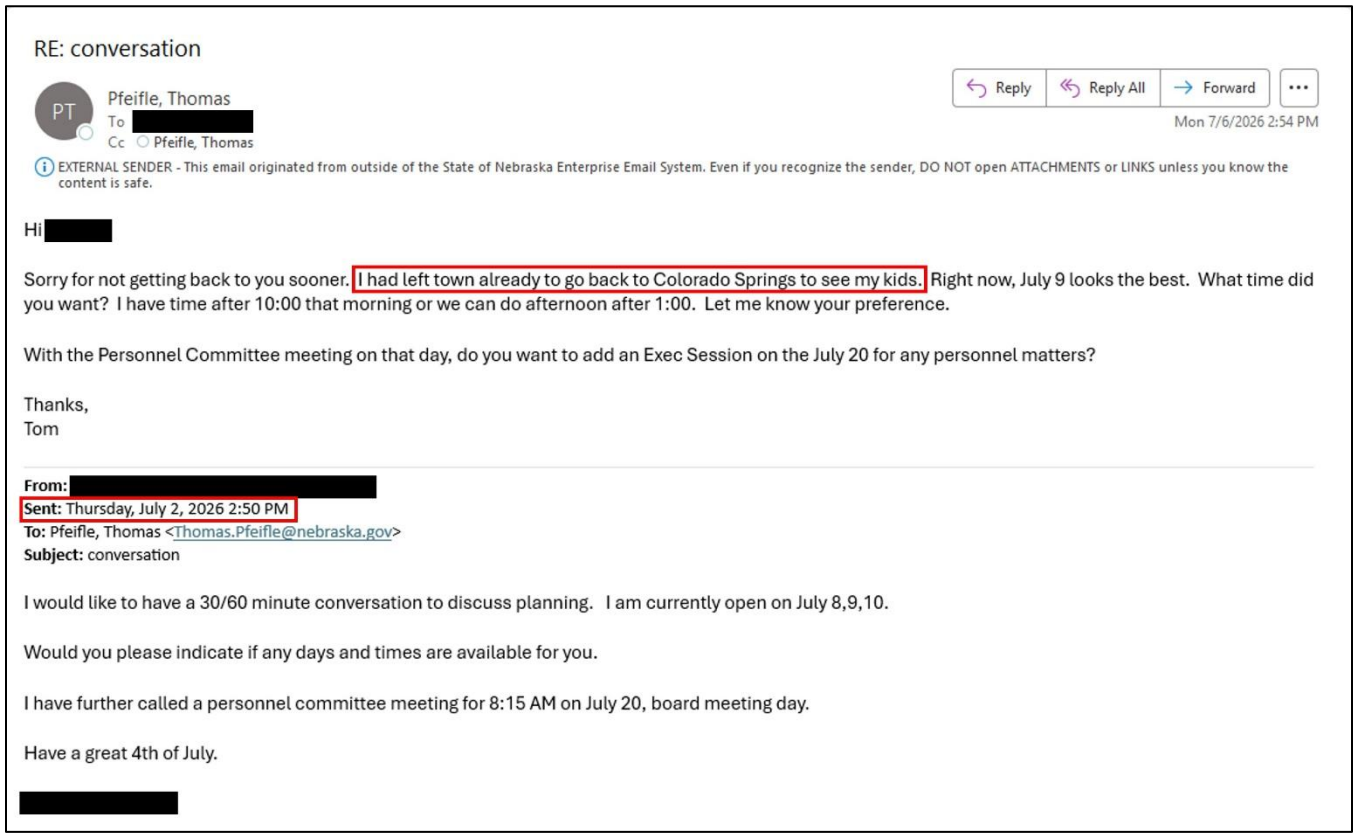
Date	Weekday	Initial Access Card Scan Time	Initial Computer Log-In Time	Regular Hours Recorded on Timesheet	Gross Pay Paid	APA Calculated Actual Hours Worked	APA Questioned Amount
7/2/2026	Thursday	9:46 a.m.	10:33 a.m.	8.00	$ 788.48	4.00*	$ 394.24
7/16/2026	Thursday	9:28 a.m.	9:30 a.m.	8.00	$ 788.48	3.00	$ 492.80
7/17/2026	Friday	N/A	N/A	8.00	$ 788.48	0.00	$ 788.48
8/20/2026	Thursday	N/A	N/A	2.50	$ 246.40	0.00	$ 246.40
						Total	**$ 1,921.92**

**Actual hours assume a 0.5-hour unpaid lunch break was taken.*

The specific details regarding each of the four days questioned are discussed below.

July 2, 2026

On July 2, 2026, Mr. Pfeifle recorded and was paid for a full 8 hours of work. However, his initial access card scan time was at 9:46 a.m., his initial computer log-in time was at 10:33 a.m., and the latest email he sent on that day was at 2:25 p.m. According to an email that he sent to a PERB member the following week, Mr. Pfeifle confirmed having left Lincoln, Nebraska, by 2:50 p.m. on July 2, 2026, to see his children in Colorado Springs, Colorado. This email is shown in the following image:



RE: conversation

PT Pfeifle, Thomas
To [redacted]
Cc Pfeifle, Thomas

Reply | Reply All | Forward | ...
Mon 7/6/2026 2:54 PM

EXTERNAL SENDER - This email originated from outside of the State of Nebraska Enterprise Email System. Even if you recognize the sender, DO NOT open ATTACHMENTS or LINKS unless you know the content is safe.

Hi [redacted]

Sorry for not getting back to you sooner. I had left town already to go back to Colorado Springs to see my kids. Right now, July 9 looks the best. What time did you want? I have time after 10:00 that morning or we can do afternoon after 1:00. Let me know your preference.

With the Personnel Committee meeting on that day, do you want to add an Exec Session on the July 20 for any personnel matters?

Thanks,
Tom

From: [redacted]
Sent: Thursday, July 2, 2026 2:50 PM
To: Pfeifle, Thomas <Thomas.Pfeifle@nebraska.gov>
Subject: conversation

I would like to have a 30/60 minute conversation to discuss planning. I am currently open on July 8,9,10.

Would you please indicate if any days and times are available for you.

I have further called a personnel committee meeting for 8:15 AM on July 20, board meeting day.

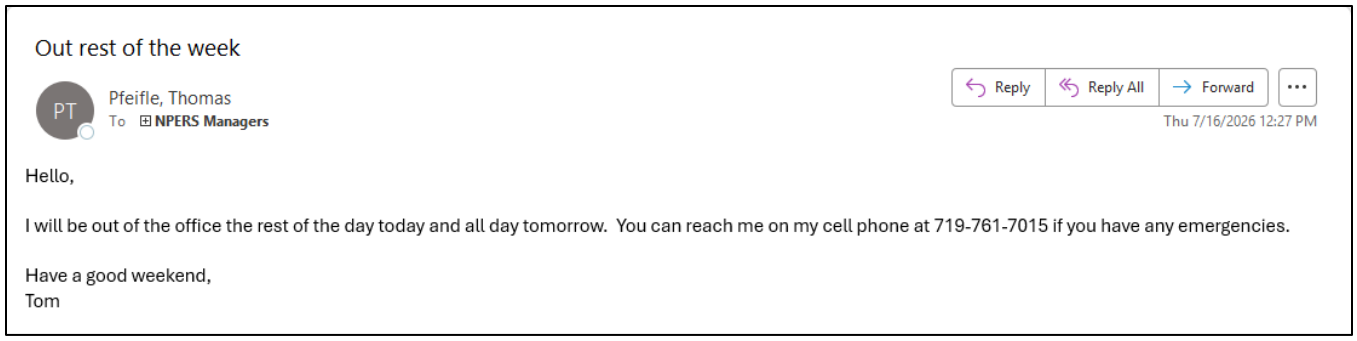
Have a great 4th of July.

[redacted]

Therefore, he appears to have worked only 4 hours on that day. The APA questions whether Mr. Pfeifle should have been paid $394.24 for the apparently unworked second half of this day.

July 16, 2026

On July 16, 2026, Mr. Pfeifle recorded and was paid for a full 8 hours of work. However, his initial access card scan time was at 9:28 a.m., his initial computer log-in time was at 9:30 a.m., and the latest email he sent on that day was at 12:27 p.m. In that email – shown in the image below – which was sent to all NPERS Managers, Mr. Pfeifle stated that he would be out of the office for the rest of the day and the following day as well:



Out rest of the week

PT Pfeifle, Thomas
To NPERS Managers

Reply | Reply All | Forward | ...
Thu 7/16/2026 12:27 PM

Hello,

I will be out of the office the rest of the day today and all day tomorrow. You can reach me on my cell phone at 719-761-7015 if you have any emergencies.

Have a good weekend,
Tom

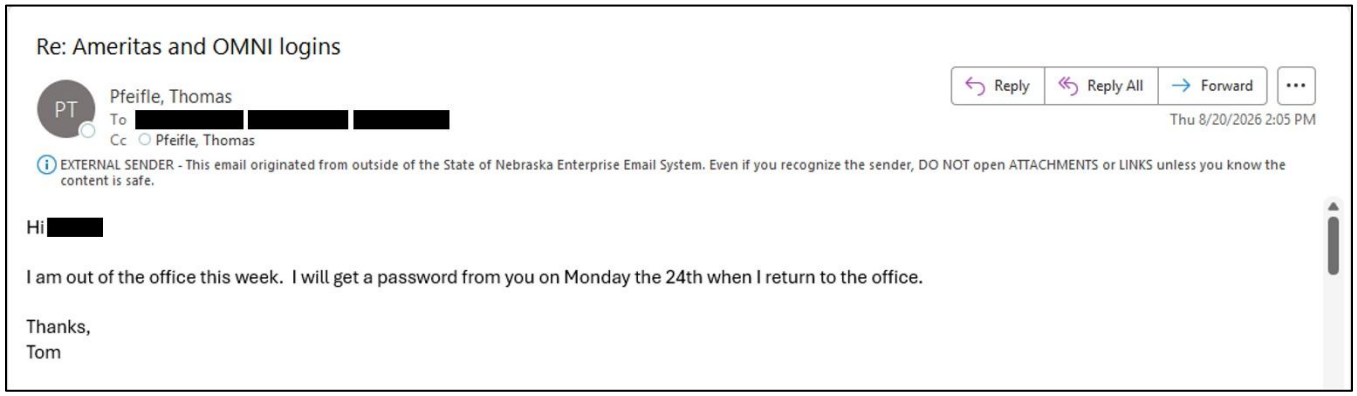
Therefore, he appears to have worked only 3 hours on that day. The APA questions the $492.80 in gross pay that Mr. Pfeifle was paid for the other 5 hours apparently not worked on this day.

July 17, 2026

On July 17, 2026, Mr. Pfeifle recorded and was paid for a full 8 hours of work. As explained previously, however, he was out of the office on this day per the email he sent to the NPERS Managers. Therefore, the APA is questioning the full $788.48 in gross pay that Mr. Pfeifle received for this entire day of no work.

August 20, 2026

On August 20, 2026, Mr. Pfeifle recorded and was paid for 2.50 hours of work. He also recorded and received payment for 0.50 hours of sick leave and 5 hours of vacation leave for this day. However, Mr. Pfeifle did not log into the State network through his computer, nor did he use his access card to gain entry to the NPERS office building on this day. Moreover, he confirmed through an email sent on the same day that he was out of the office that week, as shown in the following image:



Re: Ameritas and OMNI logins

PT Pfeifle, Thomas
To [redacted]
Cc Pfeifle, Thomas

Reply | Reply All | Forward | ...
Thu 8/20/2026 2:05 PM

EXTERNAL SENDER - This email originated from outside of the State of Nebraska Enterprise Email System. Even if you recognize the sender, DO NOT open ATTACHMENTS or LINKS unless you know the content is safe.

Hi [redacted]

I am out of the office this week. I will get a password from you on Monday the 24th when I return to the office.

Thanks,
Tom

As a result, the APA questions whether he should have received the $246.40 in gross pay for the 2.50 hours of work supposedly performed.

It should be noted that, given his failure to record accurate work hours for these four days, Mr. Pfeifle should be ineligible for a final vacation leave payout, as mentioned previously herein. He appears to have missed a total of 19.50 work hours on July 2, 16, and 17, and August 20, which is greater than the sum of the vacation leave hours available to him at the end of September 2026 (7.80 hours) and those he would "earn" in October 2026 (11.10 hours).

Due to overpayments for the four days previously identified and the PERB Budget and Personnel Committee's concerns regarding Mr. Pfeifle's alleged misuse of work time, the APA also reviewed Mr. Pfeifle's initial access card scans for times that appeared to be later in the day. Between June 8, and September 21, 2026, the APA noted that, for 36 of those 66 workdays, Mr. Pfeifle's initial access card scan time was after 9:00 a.m. To illustrate, the table below provides a comparison of the hours recorded on Mr. Pfeifle's timesheets with the initial times recorded on his access card and the time of his last email for the work week of August 10, 2026, through August 14, 2026:

Date	Weekday	Pay Type	Hours Recorded on Timesheet	Initial Access Card Scan Time	Last Email Sent	Calculated Hours Worked With 30 Minute Lunch*
8/10/2026	Monday	REGULAR PAY	8.00	9:38 a.m.	6:19 p.m.	8.50
8/11/2026	Tuesday	REGULAR PAY	7.50	10:10 a.m.	5:02 p.m.	6.50
8/12/2026	Wednesday	REGULAR PAY	8.50	10:21 a.m.	4:36 p.m.	6.00
8/13/2026	Thursday	REGULAR PAY	8.00	9:52 a.m.	5:32 p.m.	7.50
8/14/2026	Friday	REGULAR PAY	8.00	10:24 a.m.	5:14 p.m.	6.50

**Calculated hours were rounded up to the nearest half hour and were based on the initial access card scan and the last email sent.*

It should be noted that Mr. Pfeifle was not required to record his daily clock-in or clock-out times, which made it difficult to verify the total number of hours that he worked each day. However, the initial times recorded for the access card indicate that he would need to work hours outside NPERS's normal business hours, 8:00 a.m. to 5:00 p.m., to complete his eight-hour day. While the time of the last email may not be the most accurate for the end of the workday, it does provide evidence of how long Mr. Pfeifle worked on a given day.

The information presented above regarding the former Executive Director's apparent failure to record his NPERS work hours accurately, as well as the PERB's decision to pay him for time subsequent to his September 21, 2026, resignation, which was known full well not to have been worked, gives rise to serious statutory concerns.

To start, Neb. Rev. Stat. § 84-1001(1) (Reissue 2024) requires all state employees, including the NPERS Executive Director, to work a minimum of 40 hours per week, as follows:

> *All state officers and heads of departments and their deputies, assistants, and employees, except permanent part-time employees, temporary employees, and members of any board or commission not required to render full-time service, shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.*

In addition, Neb. Rev. Stat. § 84-1503.02 (Reissue 2024) requires PERB members to act as fiduciaries when administering the retirement systems, discharging their duties solely in the interests of the systems' members and beneficiaries, including paying only "reasonable expenses incurred," as follows:

> *(1) The appointed members of the Public Employees Retirement Board shall have the responsibility for the administration of the retirement systems pursuant to subdivision (1)(a) of section 84-1503, shall be deemed fiduciaries with respect to the administration of the retirement systems, and shall be held to the standard of conduct of a fiduciary specified in subsection (2) of this section. The nonvoting, ex officio member of the board shall not be deemed a fiduciary.*
>
> *(2) As fiduciaries, the appointed members of the board shall discharge their duties with respect to the retirement systems solely in the interests of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred within the limitations and according to the powers, duties, and purposes prescribed by law at the time such duties are discharged. The appointed members of the board shall not have a duty in their official capacity to seek the enhancement of plan benefits through the legislative process if such benefits are not already contained within the plan documents. The appointed members of the board shall act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.*

(Emphasis added.) Furthermore, because the information presented above reveals the apparent failure of Mr. Pfeifle to perform any further work for NPERS after his resignation on September 21, 2026, both the payments to him on October 14, 2026, and October 28, 2026, and the other paycheck that he is slated to receive if NPERS continues to compensate him through his effective resignation date of October 31, 2026, appear impermissibly gratuitous.

Article III, § 19, of the Nebraska Constitution, prohibits paying "any public officer, agent, or servant after the services have been rendered." The Nebraska Attorney General has summarized this constitutional provision by explaining, "Nebraska law generally requires work be performed in order for payment to be received." Op. Att'y Gen. No. 95071 (Sept. 13, 1995).

Discussing the terminology found in Article III, § 19, the Court has explained, "A payment of compensation to a public servant constitutes extra compensation whenever there is no legal obligation to pay such compensation." *Myers v. Nebraska Equal Opportunity Com'n*, 255 Neb. 156, 163, 582 N.W.2d 362, 367 (1998) (quoting *Matter of Mullane v. McKenzie*, 269 N.Y. 369, 377, 199 N.E. 624, 627 (1936)). It is highly doubtful that an at-will public employee's prolonged unexcused absence could give rise to a legal obligation to compensate him or her for work not performed as a result, regardless of a tendered resignation or the effective date thereof.

Because NPERS has no legal obligation to pay Mr. Pfeifle for work not performed after he submitted his resignation notice on September 21, 2026, any such remuneration by the agency would constitute an improper gratuity.

On October 8, 2026, the APA asked NPERS representatives to identify who was responsible for approving the former Executive Director's pay and verifying the work hours recorded on his timesheets. The following response was received:

> *Historically the Director's timesheet is approved by the HR Specialist, who is a subordinate of the Director. The HR Specialist's approval is based on the information available to them and does not constitute independent verification that the Director was physically present or worked the hours reported. <u>There is currently no separate supervisory-level verification of the Director's daily physical presence or hours worked.</u>*

(Emphasis added.) Good internal control requires procedures to ensure that Nebraska public employees, such as the former Executive Director of NPERS, are paid only for work verified to have been performed.

Without such procedures, there is an increased risk for not only loss or misuse of public funds but also impermissible gratuitous payments.

> We recommend NPERS implement procedures to ensure all payroll disbursements are lawful. We further recommend NPERS take appropriate action to recoup any impermissible payments made to the former Executive Director.

NPERS Response: The PERB will review Board Policies to address matters reported in the State Auditor's letter. The PERB will develop reporting procedures which will address oversight of the executive director's working hours and in office work. The PERB will examine development of Board policies which will directly address executive director employment and end-of-employment matters.

2. <u>Apparent Noncompliance with NPERS Policies</u>

In addition to concerns regarding Mr. Pfeifle's gratuitous payments and questionable timekeeping practices, the APA became aware of employee complaints involving the Executive Director that required administrative action under an internal agency policy.

Although the APA did not determine the validity of the allegations, NPERS has a formal administrative policy for handling certain personnel complaints, the stated purpose of which is the following:

> *This policy sets guidelines for agency employees to prevent offensive and/or illegal behavior and to ensure a safe working environment. Harassment creates a negative work environment which affects productivity, attendance, and/or turnover.*

According to the "Supervisor and Designated Officer Responsibilities" section of the policy, when the Executive Director is accused of impropriety, notification of such allegation "must be sent immediately to the Nebraska Equal Opportunity Commission (NEOC), the State Ombud, and/or the Federal Equal Employment Opportunity Commission (FEEOC)."

On October 15, 2026, the APA sought confirmation from the PERB Budget and Personnel Committee members that the above notification requirements had been followed. An NPERS representative responded on October 20, 2026, that the complaints had been forwarded to the required offices on October 15, 2026, well over a month after the initial allegations had been made.

Failure to adhere to established administrative policies may cause inconsistent handling of personnel complaints, inadequate documentation, and increased risk of workplace misconduct allegations going unaddressed, resulting in potential liability concerns.

> We recommend NPERS implement procedures to ensure compliance with its internal administrative policies, especially those pertaining to employment grievances that could give rise to possible liability issues.

NPERS Response: The PERB will provide its board members education on NPERS internal policies and direct that any future reportable incidents are reported in a timely manner. The PERB will provide access to training for necessary NPERS personnel to carry out internal policy requirements.

* * * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will prove useful to NPERS.

This interim communication is intended solely for the information and use of NPERS and its management, the Governor, and the State Legislature. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

Zachary Wells, CPA, CISA
Assistant Deputy Auditor