

The logo for UC Irvine, featuring the text "UCIRVINE" in a large, black, serif font. The letters "U" and "C" are significantly larger than the other letters, and the "I" is a thin vertical line. The logo is set against a light yellow background.

UCIRVINE

The text "INTERNAL AUDIT SERVICES" in a black, serif font, arranged in two lines. The text is positioned to the right of a vertical line, which is part of the UC Irvine logo. The background is light yellow.

INTERNAL
AUDIT SERVICES

Recall Retiree Appointments
For Senior Management Group
And Staff (Non-Academic)

Internal Audit Report No. I2018-108B

May 10, 2019

Prepared By

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

May 10, 2019

**RAMONA AGRELA
ASSOCIATE CHANCELLOR/CHIEF HUMAN RESOURCES EXECUTIVE
HUMAN RESOURCES**

**Re: Recalled Retirees Audit – Senior Management Group and Staff
No. I2018-108B**

Internal Audit Services has completed the review of recalled non-academic retirees and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Mike Bathke

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Stephen Eckberg, Human Resources Executive Director, UCI Medical Center
Pamela James, Executive Director, Campus Human Resources
Steven Johnson, Talent Acquisition Manager, Campus Human Resources
Michelle Quint, Executive Director, Health Sciences Human Resources

I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2017-2018 audit plan, Internal Audit Services (IAS) assessed the review, approval, and processing of recall appointments for non-academic appointees, including the Senior Management Group (SMG) and staff. The review identified internal control and compliance weaknesses that should be improved to minimize business risks and ensure compliance with University of California, Office of the President (UCOP) and UC Irvine (UCI) policies and procedures. The following observation was noted.

Duration of Reemployment – SMG and staff who have retired from the University may be recalled to active service for purposes of University Need. According to Regents Policy 7706, University Need is defined as any “substantive business reason that demonstrates the need of the University to reemploy the Retired Employee.” This includes, but is not limited to, skills and institutional knowledge that a hiring department cannot otherwise obtain with equal cost effectiveness; anticipation of a prolonged hiring process for the replacement; and/or the retired employee will assist in training the replacement to acquire the necessary skills and knowledge. IAS has identified numerous recalled SMG and staff with more than five years of recall activity. This observation is discussed in section V.1.

II. BACKGROUND

The University of California (UC) provides for reappointment after retirement should there be compelling circumstances. However, the UC Retirement Program (UCRP) must also comply with Internal Revenue Service (IRS) pension distribution rules. There are restrictions: (1) a recall appointment date may occur no earlier than 30 days following the appointee’s retirement date; (2) recall appointments may not exceed a total of 43 percent time per month, inclusive of all recall appointments; (3) recall appointments must not exceed a total of 12 months; (4) employees who have not reached normal retirement age (age 60 with five years of service credit) must not engage in discussions concerning reemployment until after they have received their first monthly payment or lump sum cash-out or 30 days after separation, whichever is later.

At UCI, the initiating and processing of recall appointments are decentralized to the appointment department. Campus Human Resources (HR) provides policy and procedure guidance, provides compliance monitoring, and submits semi-annual summary reports to the Vice President – Human Resources on August 1 and February 1 each year.

III. PURPOSE, SCOPE AND OBJECTIVES

The purpose of the audit was to assess the business risks, internal controls, and compliance with University policies and procedures for the review, approval, and processing of recall appointments for SMG and staff. The review was designed to determine whether sufficient internal control measures are in place to prevent or detect inappropriate, non-compliant, and/or fraudulent transactions. The audit scope includes payroll data dating from January 2006 through July 2018.

The following audit objectives for SMG and staff recall appointments were included in the review.

1. Review payroll data to determine whether a recalled SMG or staff retiree observed the minimum 30 day break in service prior to returning to work.
2. Review payroll data to determine whether a recalled SMG or staff retiree's appointment is 43 percent of time or lower.
3. Review payroll data to determine the duration of a recalled retiree's return to work.
4. Review payroll data to determine age at which the staff member retired and determine whether there was any discussion by administrators to those potential retirees age 59 or younger about a recall appointment.
5. Review procedures and practices for reporting and documenting recall appointments.

IV. CONCLUSION

In general, controls and processes appear to be functioning as intended. However, processes could be further enhanced in the area of duration of reemployment.

Observation details were discussed with management who formulated an action plan to address the issue. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Duration of Reemployment

Background

UCRP is a tax-qualified governmental defined benefit pension plan and therefore must comply with IRS pension distribution rules. One of the criteria that is stipulated in the UCI procedures regarding “Rules Governing Rehiring UC Retirees” is that “both the University and the employee must have intended that a separation from service occur and intended the separation to be permanent.” Regents Policy 7706 (issued 8/6/14) states that “As the reemployment of Retired Employees is meant to be temporary, reemployment should not exceed a total of 12 cumulative months . . . After 24 cumulative months of reemployment as a Retired Employee, the Retired Employee’s rehire appointment must end. Any further reemployment of that Retired Employee at any UC location will be considered an exception to policy.”

Observation

IAS determined, through data analytics, that 20 SMG and staff retirees have been recalled and have current, active appointments. Nine of these SMG and staff members retired between five and 11 years ago but still have active appointments. IAS reviewed the original UBEN 138 “Retired Employee Approvals Form” for each of the nine named SMG and staff members. All of the reviewed forms had the appropriate exceptional approval signature.

A continuous recall appointment is against policy and contradictory to the intent of a permanent separation. In addition, it may create a perception that the SMG/staff member is “double-dipping” regarding income through the collection of a monthly pension and wages from an active appointment.

Management Action Plan

Human Resources will continue to ensure all SMG and staff (non-academic) rehire retiree requests comply with Regents Policy 7706, which states that the duration of “reemployment in one or multiple positions must not exceed a total of 12 months. If reemployment is necessary after 12 months has expired, the request must be approved in accordance [with this policy].”