

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 text is set against a light yellow background.

UCIRVINE

The logo for Internal Audit Services, featuring the text "INTERNAL AUDIT SERVICES" in a black, serif font. The text is arranged in two lines: "INTERNAL" on the top line and "AUDIT SERVICES" on the bottom line. The text is set against a light yellow background.

INTERNAL
AUDIT SERVICES

Stipend Payments - Staff
Internal Audit Report No. I2018-109B
August 6, 2018

Prepared By

Julie Chung, Senior Auditor

Reviewed and Approved By

Mike Bathke, Director



INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

August 6, 2018

**RAMONA AGRELA
ASSOCIATE CHANCELLOR
HUMAN RESOURCES**

**Re: Stipend Payments Audit - Staff
No. I2018-109B**

Internal Audit Services has completed the review of administrative stipends paid to staff 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

Michelle Quint, Executive Director, Health Sciences Human Resources
Pamela James, Executive Director, Campus Human Resources
Stephen Eckberg, Human Resources Executive Director, UCI Medical Center

I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2017-2018 audit plan, Internal Audit Services (IAS) evaluated the review, approval, and processing of administrative stipends paid to 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 University of California, Irvine (UCI) policies and procedures. The following observations were noted.

Stipends Exceeding 12 months – 1) documentation of an exceptional approval was not on file; 2) exceptional approvals were not obtained from the delegated authority; 3) exceptional approvals were not signed and dated by the delegated authority; and 4) exceptional approvals were not obtained in a timely manner. Details related to these observations are provided in section V.1.a.

Stipends Exceeding 15 percent – 1) documentation of exceptional approval was not on file; 2) an exceptional approval was not obtained from the delegated authority; and 3) stipend payment amounts were incorrectly calculated and disbursed, or overtime was improperly paid as a stipend. These observations are detailed in section V.1.b.

Staff Stipend Policies and Procedures – The current UCI Delegation of Authority (IDA) 581 for exceptional approval for stipends exceeding 15 percent or 12 months did not clearly state the effective date for the change in delegation. Also, IDA 581 was not communicated to all appropriate staff to ensure compliance with policy.

In addition, the procedural guidelines published in ZotPortal have not been updated to reflect the changes effective March 2017. These observations are noted in section V.2.

II. BACKGROUND

Personnel Policies for Staff Members (PPSM) 30 states, “An administrative stipend may be provided only when an employee is temporarily assigned, for a period of at least 30 working days, responsibilities of a higher level position or other significant duties not part of the employee's regular position.”

At UCI, stipends exceeding 12 months or 15 percent may be approved as an exception by the delegated authority in accordance with IDA 581. It should also be noted that the stipend payment process is decentralized and initiated and managed by the dean's office in each school at the campus, and centralized in Health Sciences (HS) and the Medical Center. HS includes School of Medicine, Nursing Science, Pharmaceutical Sciences, and Public Health.

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, exceptional approval, and processing of administrative stipends paid to staff. The review was designed to determine whether sufficient internal control measures are in place to prevent or detect inappropriate, and/or non-compliant transactions, while ensuring efficiency and effectiveness in business operations. The audit scope included a review of the business practices and stipend payments in calendar year 2017.

The following audit objectives for staff stipends were included in the review.

1. Review procedures and practices as well as the documentation for exceptional approvals of administrative stipends exceeding 12 months to determine compliance with policies.
2. Review procedures and practices as well as the documentation for exceptional approvals of administrative stipends exceeding 15 percent to determine compliance with policies.

3. Review and communication of applicable UCOP and UCI policies as well as the IDA 581 for exceptional approval.

IV. CONCLUSION

Some internal controls for exceptional approval have been established and implemented. However, concerns were noted with the business practices in the review, approval, processing, and reporting of administrative stipend payments.

Observation details were discussed with management who formulated action plans to address the issues. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Stipends Requiring Exceptional Approval

a. Stipends Exceeding 12 months

Background

The payment of administrative stipends is intended to be temporary and generally should not exceed 12 months. However, if necessary, stipends exceeding 12 months may be approved as an exception by the delegated authority per IDA 581.

Observation

IAS reviewed 45 stipend extensions during calendar year 2017 for 31 staff working at the Campus, HS, and Medical Center that required exceptional approval. The following is a summary of the observations.

- For 15 stipend extensions reviewed, there was no record of an exceptional approval to extend the stipend beyond 12 months.

- For seven stipend extensions reviewed, exceptional approvals were not obtained from the delegated authority.
- For two stipend extensions reviewed, exceptional approvals were not signed and dated by the delegated authority.
- For seven stipend extensions reviewed, exceptional approvals were not obtained in a timely manner. Three extensions requests were obtained three months after the approved stipend pay period expired; one extension request was obtained two months after the approved stipend pay period expired; and three extensions requests were obtained one month after the approved stipend pay period expired.

In addition, IAS also noted that some original stipends (first 12 months) were processed and paid but 1) there was no documentation of an approval on file; 2) the stipend approvals were not properly documented with the approver's signature and date; or 3) the stipend approval was not obtained from the delegated authority.

b. Stipends Exceeding 15 Percent

Background

In accordance with PPSM 30 and UCI Procedures, the delegated authority may grant exceptional approval for stipends exceeding 15 percent, but no more than 25 percent, of the current base salary not more than one year in duration. However, stipends exceeding 15 percent may be approved as an exception by the delegated authority per IDA 581.

Observation

IAS reviewed 12 stipends paid during calendar year 2017 to staff working at the Campus and HS that exceeded 15 percent of the current base salary not more than one year in duration. The following is a summary of the observations.

- For one stipend reviewed, documentation of an exceptional approval was not on file.

- For one stipend reviewed, exceptional approval was not obtained from the delegated authority.
- For one stipend reviewed, an exempt employee was improperly paid a 32.78 percent stipend retroactively for working overtime during orientation week over a span of three weeks.
- For one stipend reviewed, a 15 percent stipend for three pay periods was approved. However, a 9.82 percent stipend was paid in the first pay period, an 18 percent stipend was paid in the second pay period, and a 9.43 percent stipend was paid in the third pay period.
- For two stipends reviewed, an exceptional approval was not obtained in a timely manner and approved in advance. Also, for three stipends reviewed, the exceptional approval was not dated; therefore IAS was not able to determine if exceptional approval was obtained in a timely manner.

In addition, for seven stipends reviewed, the documented stipend approval did not state that the delegated authority granted exceptional approval for exceeding 15 percent of the current base salary.

Management Action Plan

By December 31, 2018, appropriate staff [HS and Medical Center Human Resources (HR) and Campus Chief Personnel Officers (CPOs)] will be reminded that all stipends are to be approved in advance by the delegated authority in accordance with IDA 581, properly documented, and maintained on file.

2. Policies and Procedures

Background

UCOP policy, PPSM 30, was revised on October 16, 2015 and effective December 15, 2015. It should be noted that UCI policy, Procedure 30, revised November 2008, is more restrictive than the current UCOP policy in that it requires exceptional approval by the delegated authority for administrative

stipends exceeding 15 percent or more than one year in duration in accordance with IDA 581.

Observation

A review of the UCOP and UCI policies as well as the established procedural guidelines and procedures, and practices observed at various departments disclosed issues and concerns. The following is a summary of the observations.

Delegation of Authority

IAS reviewed the changes in the delegation of authority for exceptional approval for stipends exceeding 15 percent or 12 months over the past ten years and noted the following issues.

- Revised IDAs were not issued upon changes in the delegation of authority but the exceptional approval form was revised accordingly to reflect the changes.
- The current IDA 581, issued in March 2017, did not clearly state the effective date for the change in delegation.
- Although IDA 581 was emailed to the delegated authorities in March 2017, the change in delegation was not communicated to all appropriate staff who initiate and process stipend payments to ensure compliance with policy.

Procedural Guidelines

Campus HR published procedural guidelines in ZotPortal to help departments complete the process for out of classification assignments such as administrative stipends. IAS reviewed the guidelines and noted the following concerns.

- The guidelines have not been updated to state that exceptional approval is required from the Associate Chancellor as of March 2017.
- The guidelines incorrectly state, "Pre-approval from the Chancellor is not necessary."

Management Action Plan

IDA 581 will be revised to clarify the effective date for the change in delegation and communicated to all appropriate staff who review, manage, and process stipend payments to ensure compliance with policy.

Also, the procedural guidelines will be updated to clarify that exceptional approval is required from the Associate Chancellor for stipends exceeding 12 months and to specify that approval in advance is required.

In addition, the procedural guidelines will be revised to clarify that the following elements are required as a record of approval and maintained on file:

- initial stipend pay periods (begin and end dates, should not be left open ended stating it is contingent upon recruitment and hire);
- additional stipend pay periods (begin and end dates), if exceeding 12 months
- stipend amount and percentage per pay period;
- signature and date of the delegated authority; and
- clearly cite that the department is requesting exceptional approval along with the justification for requesting exceptional approval for stipends exceeding 15 percent or 12 months.

By December 31, 2018, the revised procedural guidelines will be communicated to Campus HR, HS HR, Medical Center HRs, and CPOs as well as division heads to ensure compliance with University policies.