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Inspector General Audit Finds Decade-Long Double Dipping in G.E.R.S., Costing Pension System Millions of Dollars in Lost Revenue and Owed Contributions

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At least 22 retirees who were re-employed by the Government of the Virgin Islands continued to receive their annuities along with their salaries beyond permissible limits established by varying laws, costing the Government Employees' Retirement System millions in lost revenue and millions in unpaid contributions.

That's according to an Office of the Inspector General (O.I.G.) report on G.E.R.S.'s procedures to control re-employment of retired government employees, which found failures on all sides of the program — including G.E.R.S., the central government, its departments and agencies and the executive branch. Semi-autonomous entities also have deficiencies that affect successful detection and elimination of double dipping.

At least 65 re-employed retirees are being analyzed by G.E.R.S. for possible violations of the return-to-work law, according to the O.I.G., whose latest report was published Monday.

The audit was performed between February 2019 and June 2020. It focused on years 2015-2019, which spans all of former Governor Kenneth Mapp's administration and one year into Governor Albert Bryan's.

According to the O.I.G., the audit was triggered by "news articles about the re-hiring of a high-profiled retiree during the previous administration, and reports from G.E.R.S. that this issue was not isolated."

The audit appeared to have been painstaking, as O.I.G. auditors had to sift through multiple legal changes altering the composition of a program that allowed certain retired government employees to return to work for the government with no stop on their annuities. Meanwhile, other laws, amendments and even executive orders offered their own alterations.

G.E.R.S. was created on June 24, 1959, by Act No. 479, as a defined-benefit pension plan. On October 1, 1959, the retirement system started operations and contributions by employees, and the plan sponsor began.

The audit found G.E.R.S. paid \$2,068,736 in annuities to 22 individuals who violated the return-to-work law. Additionally, the pension system did not collect \$1,172,676 in contributions from the retirees/employees and the government, said the O.I.G. "Although G.E.R.S. received repayment totaling \$335,541, it is still owed \$2,905,871. We found that in the absence of the retiree reporting, the government did not always notify G.E.R.S. about the retired member's re-hiring. As a result, G.E.R.S. made pension payments that were not payable and did not collect contributions due from retirees who had returned to work. Consequently, G.E.R.S. determined that the retirement system lost at least \$118,865 in investment income."

As of May 28, 2020, the pension system had completed the review of 37 of the 65 re-employed retirees, according to the O.I.G. At least 22 of the 37 owed at least \$10,000, according to G.E.R.S.'s own investigation. An O.I.G. analysis found that 15 of the 22 re-employed retirees owed in the range of \$10,398 to \$458,341. "We also found that the period for which these annuitants double dipped or received both their pension and a salary ranged from five months to 14 years and seven months," according to the report.

The following schedule details the 15 annuitants:

No.	Double Dipping		Length of Time Double Dipped (yrs/mos)
	Start Date	End Date	
1	11/2007	12/2018	11yrs, 1m
2	08/2015	05/2018	2yrs, 9mo
3	09/2009	10/2010	1year, 1m
	12/2015	12/2018	3yrs
4	06/2015	04/2018	2yrs, 10 mo
5	05/2005	06/2011	6yrs, 1m
6	08/2011	11/2016	5yrs, 3mo
7	05/2005	12/2019	14yrs, 7mo
8	10/2009	03/2015	4yrs, 5mo
9	03/2016	12/2018	1yr, 9mo
10	06/2016	08/2018	2yrs, 2mo
11	05/2017	12/2018	1yr 7mo
12	05/2015	05/2016	1yr
13	03/2017	11/2018	1yr, 8mo
14	07/2018	12/2018	5mo
15	12/2014	05/2015	6mo
Grand Total			

According to the O.I.G., based on the information obtained, G.E.R.S. determined that two retirees listed above violated the return-to-work law for more than ten years. One retiree was found to have double dipped for over 14 years, costing the System \$143,171. The other retiree double dipped for 11 years, costing the system \$458,341, according to the report.

Additionally, the O.I.G. found that for the 15 retirees sampled, G.E.R.S. continued to pay annuity payments to them when some retirees had regular retirement contributions taken from their salaries. "Specifically, as many as seven retirees' by-weekly payroll had regular retirement contributions deducted during the period G.E.R.S. determined that they double dipped," according to the [report](#).

Noncompliance with laws and regulations

Part of the problem is the government's noncompliance with its own laws and regulations, said the O.I.G. "Generally, we found that the Government entities abrogated their responsibility to report and monitor retirees' hiring. At the Executive Order's issuance, Government officials did not report seven retirees actively employed and five retirees subsequently hired," reads the report. "These twelve retirees were allowed to double dip for up to two years and nine months after the Executive Order's issuance and accounted for \$1,649,117 or 80% of the \$2,068,736 in annuity overpayments. We determined that at least \$890,953, or 43% of the overpayments, were paid after the Executive Order's issuance."

On internal controls, the report said, "We found that the Government did not implement adequate internal controls to help prevent violations of the return-to-work law. Although laws existed that addressed circumstances under which retirees were allowed to be hired and still maintain their pension payments, the Government did not ensure compliance with the Code to protect the GERS. Also, we found that GERS measures taken were not sufficient to determine when retirees returned-to-work, or to deter violations of the law, thereby protecting the retirement system from the laws' noncompliance."

Property and Procurement

The O.I.G. report found that the Dept. of Property and Procurement had no process to identify when a retiree is contracted to perform services for the government. "Also, there is no process for contractors to certify whether they are a retiree," according to the report. "The officials reported that not all professional services and independent contractor contracts are executed through Property and Procurement. Therefore, the officials noted that they may not be aware when a department procures some contractor's services." The O.I.G. said that currently, Property and Procurement does not provide G.E.R.S. with information on retirees under contract with the government.

G.E.R.S. lacks adequate tools

G.E.R.S. told the O.I.G. that in the absence of retiree self-reporting, the pension system would not be aware and have no way of knowing when the government hires a retiree unless the agencies and instrumentalities report that information. "To complicate matters, officials stated that government agencies and instrumentalities do not always notify G.E.R.S. when they hire a retiree."

G.E.R.S. officials further told the O.I.G. that the pension system obtains information on a retiree's hiring when it is a high-profile person and announcements are made. Also, there are other instances when persons have reported the retiree's hiring to G.E.R.S. "However, G.E.R.S. officials stated that when a government employee retires, G.E.R.S. gives the retiree an award letter that includes language that speaks to how many hours retirees are permitted to work. Also, the letter indicates that the retiree should notify G.E.R.S. if they returned to work for the government," according to the report.

The pension system also sends correspondence to all agencies on a semi-annual basis, reminding the agencies about the return-to-work guidelines. Furthermore, G.E.R.S. hosts a human resources officers meeting annually where the return-to-work regulations are usually discussed.

Semi-autonomous entities and instrumentalities

The report found varying policies at government arms that operate independent of the central government to an extent. "For example, one agency representative stated that the agency provides the retiree with information instructing them to report their re-employment status to G.E.R.S. However, another agency representative indicated that the agency takes no action to notify G.E.R.S. if contributions are deducted from the employee's pay. Other agencies reported that they do not notify G.E.R.S. when a retiree works part-time. As a result, G.E.R.S. would never be made aware of these retirees' re-employment," reads the report.

Of the semi-autonomous entities, WAPA had 7 re-employed retirees, the Waste Management Authority had 1, and the V.I. Legislature had 7 for a total of 15.

The pension system has generally taken the recommendations provided by the O.I.G. following the audit, and has vowed to continue improving its systems. "GERS will continue its efforts to reconcile, determine, and collect all overpaid contributions owed by retirees who violated the return-to-work law," the pension system said in one of its responses.

In response to recommendations relative to internal controls, G.E.R.S. did not specifically address solutions to each recommendation, according to the O.I.G. "Instead, they provided a general plan of action that focused on continued communication with the Office of the Governor, the director of Personnel, and the commissioner of Property and Procurement on enforcement of the return-to-work law and executive Orders; implementation and enforcement of procedures to curtail retirees unlawfully returning to work."

The O.I.G. was not satisfied. "We find GERS' response too general to determine its effectiveness on the recommendations in this finding," stated the report. "However, while generalized in their response, we encourage GERS to consult and collaborate with all relevant agencies to forge cooperation and compliance with the return-to-work laws. We will consider the recommendations resolved but not implemented, pending verification of any changes to policies and procedures that would assist G.E.R.S. in the timely notification of retirees who return to work to included contracted services."