



Huntington Union Free School District

Review of Benefits

For the Fiscal Year 2019-2020



July 2020

The Board of Education
Huntington Union Free School District
50 Tower Street
Huntington, NY 11746

Board of Education:

We have been retained to function as the internal auditor for the Huntington Union Free School District (hereinafter, "the District"). Our responsibility is to assess the internal control systems in place within the District, and to make recommendations to improve upon possible control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents that the fiscal operations of the District are being handled appropriately and effectively.

BACKGROUND:

The District offers health insurance coverage only to eligible persons. Eligibility includes current and former employees as well as their families. Health insurance is provided by the New York State Health Insurance Program (hereinafter "NYSHIP") also known as The Empire Plan. Each eligible employee must actively elect the type of coverage desired or specifically waive coverage.

PURPOSE & SCOPE

The purpose of our review was to assess the legitimacy and accuracy of the health benefits expenditures and other District benefit expenditures (i.e., Medicare Part B premium reimbursements and buyback payments) and to determine whether those expenditures being provided by the District are in accordance with bargaining unit contracts as well as policies approved by the Board.

Our review included testing the various categories of health insurance benefits listed below, which are further detailed in the in the following respective sections of the report:

- I. Policies and procedures
- II. Active employee coverage
- III. Retiree coverage
- IV. COBRA coverage
- V. Extended benefits coverage
- VI. Surviving dependent coverage
- VII. Leave of Absence (LOA)
- VIII. Declinations and buyback payments

We utilized the District's February 2020 NYSHIP Reconciliation Report to perform testing. The District did not have any vested employees or enrollee dependent's that elected the young adult coverage option during the period tested.

For each of the test selections, we verified whether:

- appropriate elections were made to continue/decline coverage;
- the District was billed the correct rates for those insured; and
- the District was collecting the correct payments for such coverage as applicable.

In addition, for the applicable retiree and surviving dependent selections, we verified whether the correct Medicare Part B premium reimbursement was issued by the District. Lastly, for those selections who declined coverage and were eligible to receive a buyback payment, we verified whether the employee was issued the correct buyback payment by the District.

CONCLUSION:

Although our review indicated that the District has implemented sufficient internal controls over the benefits operations, we noted areas where internal controls could be improved. Furthermore, the Administrative Assistant for Employee Benefits (hereinafter, "Benefits Administrator") is in the process of correcting any errors noted during our review as well as assessing current practices and implementing procedures to strengthen the internal controls to ensure health benefit expenditures are appropriate, and benefits are provided in accordance with District contracts and policies. The Benefits Administrator should be commended for her efforts. The detailed results of our review are documented below.

I. POLICIES & PROCEDURES:

Based on our interviews and discussions with District benefits personnel, we noted that the District is knowledgeable of the guidelines that have been set forth by New York State and has implemented procedures to ensure appropriate support documents are obtained and kept in the employee files. Through our review of the benefits process, we noted that the District has sufficiently maintained segregation of duties, with other departments working in conjunction with the benefits department during this process.

Auditor's Comment: The District has procedures in place to ensure documents are provided when an employee is requesting family coverage. During our testing, there was 1 retiree file that did not contain the required documents to support their coverage, such as a marriage certificate, or birth certificate(s), or both. However, it should be noted that NYSHIP has conducted their own Dependent Eligibility Verification audit that required enrollees to provide proof of family coverage. Any participants that did not meet the requirements for family coverage were automatically switched to single coverage. Further, the District has since obtained such documentation. We commend the Benefits Administrator for her efforts.

Auditor's Comment: We noted 2 instances in which we were unable to verify the hire date of the retiree. We acknowledge these retirees have retired over 30 years ago and that documents may be in the archived personnel file. The District should consider maintaining benefits documents (e.g., hire date, retire date, benefits selection, and documents to support coverage) in electronic format (e.g., as an nVision attachment).

Auditor's Comment: During our review, we noted that certain bargaining unit contracts do not explicitly state whether employees are eligible for health insurance benefits into retirement. However, it has been a past practice for the District to continue coverage and bill retirees for the contribution rate the retiree paid while employed with the District. The District should consult with their attorney to ensure the current bargaining unit contracts support the past practice noted. Once the past practice is deemed acceptable, the District should formalize these practices (e.g., internal memo or formal documented procedures) to ensure consistent processes for retirement contributions.

II. ACTIVE EMPLOYEE COVERAGE:

A) Invoice Charges and Employee Payments: At the start of the calendar year, the rates for the health insurance premium generally increase. As such, the Payroll Supervisor calculates the new benefits deduction amount, and provides the new rates to the Benefits Administrator who then inputs the payroll deductions in nVision. We selected a representative sample of 40 out of 509 active employees from the February 2020 NYSHIP invoice.

For each test sample, we traced the selection to the Payroll Transactions report in nVision for the month of February 2020, to verify whether the employee was eligible to receive benefits and whether the District was billed the correct rate for the enrollee selected. In addition, we examined the benefits file to verify whether the employee elected the coverage he or she was actually receiving, confirmed the required coverage documentation was maintained by the District, and confirmed the employee did not elect to waive coverage. Lastly, we verified whether the amounts the employees were contributing toward their health insurance coverage (as reflected in the most recent payroll register) coincided with the employee contribution rates stated in the respective bargaining unit contract. **No exceptions were noted.**

B) Proof of Eligibility: The District requires employees to submit proof of eligibility for family coverage (e.g., marriage and/or birth certificate) when a qualifying event takes place during employment. The District has adopted best practices related to collecting appropriate support documents, which require employees to provide the necessary documents for the type of coverage they select. These practices apply to new hires electing family coverage, or current employees requesting to change their current coverage from individual to family. We commend the District's efforts to ensure all benefits documentation are properly completed and are on file so that there are no questions about the intentions or actions of an employee. **No exceptions were noted.**

III. RETIREE COVERAGE:

A) Invoice Charges and Payments: Retirees must pay their health insurance premiums either directly to the District or indirectly through their pension. We noted that approximately 67% of retirees pay their health insurance premiums through their pension. For our testing, we judgmentally selected 40 out of 581 retired employees receiving health insurance benefits from the District (14 paying directly to the District, 26 paying through their pensions) from the February 2020 NYSHIP invoice.

As part of our testing of the selected retirees, , we examined the retiree's date of hire and date of retirement to assess whether the retiree completed the appropriate number of years of service required to be entitled to receive retiree benefits per his/her respective bargaining unit contract, if any. We then verified whether the election forms agreed with the coverage type (e.g. individual or family coverage) the retiree is receiving per the February 2020 NYSHIP invoice, and that the retiree selections made the correct health insurance premium payments to the District. Lastly, we verified whether all necessary support documents were submitted with any change in coverage during retirement. Those retirees who pay for their health benefits are invoiced by the District directly and are required to remit payment on a monthly basis. We verified whether the District is efficiently and effectively tracking amounts owed to and paid to retirees as well as owed by and paid by retirees.

Issue #1: We noted 4 instances where the incorrect health insurance premium is being deducted from the retiree's pension due system limitations in the NYSHIP system.

We expanded our testing to determine the extent of the issue across all retirees. We identified that the issue affected only certain retirees. As such, we analyzed those retirees on the February 2020 NYSHIP reconciliation to assess the number of plan enrollees that may be impacted by the District's current procedure. We identified 160 retirees at risk of incorrectly contributing to their health insurance premiums. Some retirees are currently contributing the incorrect amount, some retirees will be contributing the incorrect amount if there is a change in coverage, and some retirees may have contributed the incorrect amount if there had been a change in coverage in the past (i.e., individual to family coverage). Of the 160 potential instances, there are 31 instances of enrollees who are not on an individual coverage plan and therefore are currently contributing the incorrect amounts toward their health insurance benefits due to the District's current procedure for assigning health insurance contribution percentages. In addition, of the 160 potential instances, there are 21 instances in which enrollees are contractually obligated to contribute a unique percentage that involves a decimal place (i.e., 11.5%, 11.6%, 13.2%, 8.5%) and therefore are currently contributing the incorrect amount toward their health insurance benefits as NYSHIP does not have a contribution category for these types of contribution percentages.

Risk: The District is not collecting the correct contribution amount based on the retiree's coverage election and respective bargaining unit contract.

Level: High

Recommendation: We recommend the District select the NYSHIP contribution rates that deduct the correct amount from each retiree's pension. This will require the Benefits Administrator to change the contribution rate option if a retiree changes coverage types in order for the NYSHIP to correctly bill the District and make the correct premium deduction from the retiree's pension.

Management's Response: *Management has requested that NYSHIP add the percentages that are unique to the District's collective bargaining agreements to the New York Benefits Eligibility and Accounting System (NYBEAS) with no success. District practice has been adjusted to*

directly bill those retirees who are contractually obligated to contribute a unique percentage unsupported by NYBEAS rather than deduct the amount from their pension.

B) Medicare Part B: The District is informed by NYSHIP on a monthly basis of any retiree who is becoming eligible to receive Medicare coverage. The Benefits Administrator informs retirees about their eligibility to receive Medicare Part B premium reimbursement, and requests that they attest that they would not be receiving the reimbursement from another source. The letters need to be signed and returned to the District on an annual basis. If the retiree is receiving family coverage, the District is responsible for reimbursing the Medicare Part B premium portion for the retiree as well as his or her spouse, and the spouse is also required to provide the same attestation as mentioned above.

As part of our testing of retirees, we reviewed all retiree selections to assess their eligibility to receive the Medicare Part B premium reimbursement. We verified whether the District received signed attestations from those retirees in our sample who were Medicare eligible prior to remitting the reimbursement to the retiree. In addition, we determined whether the District obtained appropriate documentation from eligible retirees for the amount of Medicare Part B premium reimbursement to be issued as well as whether the reimbursements paid for 2019 were correct.

Auditor's Comment: For certain situations, the District provides retirees with the option of paying for their health insurance premiums by using their Medicare Part B premium reimbursement. We noted 2 instances in which the Medicare Part B premium reimbursement due the eligible retiree was netted against the health insurance premiums due the District.

In addition, the District's current practices do not require retirees to submit a Form SSA-1099 unless the retiree is requesting a Medicare Part B premium reimbursement that exceeds the standard amount. Such practices increase the risk that the District may miscalculate the reimbursement amount.

Through discussions with management, we are aware that the District is changing its procedures effective for the calendar year ended December 31, 2020 to reimburse the Medicare Part B premium annually based on the Form SSA-1099. We commend the District for its proactive response.

Lastly, we performed an analysis of all retirees and surviving spouses on the February 2020 NYSHIP invoice to determine if there were any other plan participants that were Medicare eligible and receiving a coverage type other than expected. **No exceptions were noted.**

IV. COBRA COVERAGE:

When an employee is terminated, the Benefits Administrator sends a letter to the employee indicating the process for continuing coverage through COBRA, along with the amount of the premium. The District had one employee and her dependents who were receiving health insurance coverage under COBRA on the February 2020 NYSHIP invoice. We noted that the Benefits Administrator maintains a spreadsheet of all payments and confirms that the payments are received by reviewing the cash receipts journal in nVision. If payments are not received, the

Benefits Administrator will follow up with the former employee, and if no response is received within two months, the individual will be removed from the insurance.

Our testing included examining the election form to ensure the former employee elected to maintain health insurance coverage under COBRA. In addition, we obtained the check payment history and cash receipts journal in nVision to ensure the former employee was making the correct payment. **No exceptions were noted.**

V. EXTENDED BENEFITS COVERAGE:

In accordance with NYSHIP regulations, when an employee or retiree of the District passes away, the District provides their surviving dependent with health insurance at no cost for the three subsequent months immediately following the death (this is referred to as extended benefits).

We selected the only situation in which extended benefits were offered to surviving dependents of an employee/retiree of the District from the February 2020 NYSHIP invoice to verify whether the District was correctly providing benefits. Our testing of extended benefits coverage included confirming the employee/retiree was recently deceased, and the type of coverage being provided to the surviving dependent(s) was accurate. **No exceptions were noted.**

VI. SURVIVING DEPENDENT COVERAGE:

The surviving dependent has the option of continuing to receive NYSHIP Insurance through the District after his/her extended benefits period ends. All dependents that elect to continue coverage through the District must make monthly payments of the entire cost of the benefits provided to them unless otherwise stipulated by individual contract or bargaining unit contract of the respective retiree.

For our testing, we judgmentally selected 10 of the 49 individuals receiving benefits as a surviving dependent from the February 2020 NYSHIP invoice to verify whether:

- the surviving dependent elected to continue coverage;
- the District is providing the proper coverage as elected by the surviving dependent;
- the District is being charged the correct premium rate by NYSHIP;
- proof of Medicare eligibility was provided, if applicable;
- proof of the deceased employee was provided; and
- the surviving dependent is timely remitting the correct payment to continue the health insurance coverage.

While we noted where the District could improve document retention in section I of this report, **no exceptions were noted.**

VII. LEAVE OF ABSENCE (LOA):

The District allows employees to take a LOA for a number of reasons, including maternity leave and health issues. Employees that are currently employed by the District and choose to take a LOA without pay are responsible for remitting their share of the premium while on Family and Medical Leave Act (FMLA), and then the full cost of the insurance payment once FMLA has ended to receive health insurance benefits.

The District did not have any employees on an unpaid leave of absence or FMLA during February 2020. As such, we selected all 6 employees who were out sick or on a paid leave. For each employee, we verified whether they were listed on the February 2020 NYSHIP invoice to determine whether the employee was correctly receiving benefits. We then verified whether the employee's file contained the appropriate forms and approvals for the time off requested, whether the employee was remitting the correct payment, and whether the payments were properly posted in nVision. **No exceptions were noted.**

VIII. DECLINATIONS AND BUYBACK PAYMENTS:

The District offers certain employees a cash payment, or buyback, if the employee declines enrolling in the NYSHIP health insurance plan. The buyback varies based on the bargaining unit contract. Buybacks are paid in December and June and can be pro-rated by month to the point when the employee discontinues coverage.

As part of our testing, we judgmentally selected 20 employees from the 208 employees receiving the buyback per the payroll earnings register for December 2019 from nVision. For each employee, we examined the NYSHIP invoice to verify whether those employees who elected to waive health insurance coverage were not listed as receiving health insurance benefits. In addition, we verified whether each employee who waived coverage was receiving the correct buyback amount per the respective bargaining unit contract, if applicable. We also verified whether all supporting documentation required by the District existed to substantiate that the employee was entitled to receive family coverage if the employee was receiving the contractual cash value of that category of benefit. Lastly, we verified whether the selected employees completed and signed the necessary form to waive health benefits coverage. Although **no exceptions were noted**, we noted where the District could improve its verification processes.

Issue #2: The District does not require documentation to support an employee's eligibility for family coverage on an annual basis when an employee is receiving the buyback for declining family coverage.

Risk: The District may be providing a buyback payment for which the employee is not entitled.

Level: Moderate

Recommendation: We recommend the District require proof of family eligibility (e.g., tax return) on an annual basis.

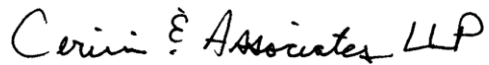
Management's Response: *Although the auditors did not report any findings in this area, they recommended a different process to minimize risk. The District will send out an annual reminder for all employees to update their personal information.*

We would like to thank the staff at the District for its cooperation and professionalism during our testing.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

A handwritten signature in black ink that reads "Cerini & Associates LLP". The signature is written in a cursive, flowing style.

Cerini & Associates, LLP
Internal Auditors

CORRECTIVE ACTION PLAN (CAP) TO FISCAL YEAR END JUNE 30, 2020 INTERNAL AUDIT FINDINGS AND RECOMMENDATIONS.

The Internal Audit findings were presented to the Audit Committee on September 13, 2021. Corrective action plan components will be managed by Kathleen Acker, Assistant Superintendent for Finance and Management Services. It should be noted that all corrective actions have been completed as of April 1, 2021.

A. BENEFITS - RETIREE COVERAGE

The Auditor noted that there were instances where the incorrect health insurance premium is being deducted from the retiree's pension due system limitations in the NYSHIP system.

CAP: Management has requested that NYSHIP add the percentages that are unique to the District's collective bargaining agreements to the New York Benefits Eligibility and Accounting System (NYBEAS) with no success. District practice has been adjusted to directly bill those retirees who are contractually obligated to contribute a unique percentage unsupported by NYBEAS rather than deduct the amount from their pension.

B. BENEFITS - DECLINATIONS AND BUYBACK PAYMENTS:

The auditor noted that though NYSHIP does its own verification process the District does not require documentation to support an employee's eligibility for family coverage on an annual basis when an employee is receiving the buyback for declining family coverage.

CAP: Although the auditors did not report any findings in this area, they recommended a different process to minimize risk. The District will send out an annual reminder for all employees to update their personal information.