



**PLAINVIEW-OLD BETHPAGE
CENTRAL SCHOOL DISTRICT**

Review of Benefits

May 2021



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The Board of Education
Plainview-Old Bethpage Central School District
106 Washington Avenue
Plainview, New York 11803

Board of Education:

We have been retained to function as the internal auditor for the Plainview-Old Bethpage Central School District (hereinafter, "the District"). Our responsibility is to assess 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 either the New York State Health Insurance Program (hereinafter "NYSHIP") also known as The Empire Plan, or HIP from Emblem Health (very few employees are enrolled in this insurance plan). Each eligible employee must actively elect the type of coverage desired or specifically waive coverage. We previously performed a review of Benefits and issued a report of our recommendations to the Board in November 2015 and the District has since implemented our recommendations. Due to changes in staffing and procedures, we recommended re-testing this area during our 2017-2018 risk assessment.

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 buy-back 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 following various categories of health benefits, and are further detailed in the report in the respective sections below:

- I. Policies and procedures
- II. Active employees coverage
- III. Retiree coverage
- IV. COBRA coverage
- V. Vested employee coverage
- VI. Extended benefits coverage
- VII. Surviving dependent coverage
- VIII. Leave of Absence (LOA)
- IX. Young adult coverage
- X. Declinations and buy-back payments

We utilized the District's February 2021 NYSHIP Reconciliation Report and the District's HIP health insurance bill for February 2021 to perform testing.

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 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 buy-back payment, we verified whether the employee was issued the correct buy-back payment by the District.

CONCLUSION:

Although our review indicated that the District has implemented internal controls over the benefits operations, we noted areas where internal controls could be improved. The detailed results of our review are included 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. The District requires enrollees to submit proof of eligibility for family coverage (i.e., marriage certificates and/or birth certificates) upon hire if electing family coverage and when a qualifying event takes place during employment. In addition, the District requires initial proof of family coverage (i.e., marriage certificates and/or birth certificates) and alternate health insurance coverage for those employees electing to receive a buy-back payment in lieu of health insurance benefits. The District also provides a buy-back payment for those employees who are members of the Plainview-Old Bethpage Congress of Teachers (PCT) and are eligible for family coverage but opted to receive individual coverage. The family-to-single buy-back amount was grandfathered in for those members of the PCT who elected it on or before June 30, 2006 and maintained that election. There are only two employees left receiving this buy-back amount. As part of our testing, we verified whether all necessary support documents were submitted with any change in coverage. During our review, we noted areas where internal procedures could be strengthened. See recommendations within sections below.

II. ACTIVE EMPLOYEES:

We selected a representative sample of 61 active employees from the 617 active employees receiving benefits on the February 2021 NYSHIP and HIP invoices. We traced each selection to the Payroll Check Register report in WinCap for the month of February 2021, verified whether the employee was eligible to receive benefits and determined 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 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.**

Auditor's Comment: There are 15 active employees hired before 2016 whose files do not contain support the employee is eligible for family coverage, such as marriage certificate, or birth certificate(s), or both. However, it should be noted that NYSHIP conducts their own Dependent Eligibility Verification audit that requires enrollees to provide proof of family coverage. The last audit was performed in 2016. Any participants that did not meet the requirements for family coverage were automatically switched to individual coverage.

III. RETIREE TESTING:

A) Invoice Charges and Payments: Retirees can opt to pay for their health benefits either directly to the District or indirectly through use of their pension. We noted that approximately 86% of retirees pay their health insurance premiums through their pension. For our testing, we judgmentally selected 45 of the 443 retired employees receiving health benefits from the District (7 paying directly to the District, 38 paying through their pensions) from the February 2021 NYSHIP and HIP invoices.

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 NYSHIP or his/her respective bargaining unit contract, whichever is greater. 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 2021 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. **No exceptions were noted.**

Auditor's Comment: During testing, we noted 1 instance in which the election form of a retiree did not agree to the coverage the retiree was receiving per the February 2021 NYSHIP invoice. The retiree elected to receive family coverage; however, he/she is receiving individual coverage. It should also be noted that the retiree is contributing the dollar amount required to maintain individual coverage. We expanded testing to determine whether this was an isolated instance. We tested 15 additional retirees' transaction forms and noted 1 exception in which the retiree elected to receive family coverage; however, he/she is receiving individual coverage. It should be noted that both instances involved a spousal death and therefore were correctly changed to individual coverage. However, it is important that the District maintain documentation to substantiate a change in coverage.

Auditor's Comment: There was 1 instance in which we were unable to verify the hire date of the retiree. We acknowledge this retiree retired over 50 years ago and that

documents may have been destroyed due to flooding related to prior storms impacting New York State. The District should maintain benefits documents (e.g., hire date, retire date, benefits selection, and documents to support coverage) in an electronic format (e.g., as a WinCap attachment) to reduce the risk of loss or damage.

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 Account Clerk informs retirees about Medicare Part B premium reimbursement. Medicare Part B premium reimbursements are issued once a year for the year prior and upon receipt of the retiree's 1099-SSA and signed attestation from retirees stating that they are not 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 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 noted that 40 of the 44 selected retirees were eligible to receive 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 in 2021 for 2020 were correct. **No exceptions were noted.**

Auditor's Comment: We noted 1 instance in which a retiree filled out the Medicare Part B premium reimbursement attestation form incorrectly. We obtained that prior years' attestation forms and confirmed the error for the current year's attestation form. While the Benefits Account Clerk also corresponded with the retiree about the error, it was not properly documented on the form. The Benefits Account Clerk should document any changes to the attestation form due to conversations with retirees through investigatory procedures or require retirees to fill out a new attestation form.

Lastly, we performed an analysis of all retirees and surviving spouses on the February 2021 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 Account Clerk sends a letter to the employee indicating the process for continuing coverage through COBRA, along with the amount of the premium. We noted the Benefits Account Clerk issues bills monthly for the entire monthly premium for the elected continued coverage. The Benefits Account Clerk receives a cash receipts report from the accounts receivable department to verify whether payments were made, and deposits cleared. If payments are not received, the Benefits Account Clerk will follow up with the former employee. The District had 1 individual who was listed as receiving COBRA benefits on the February 2021 NYSHIP invoice.

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 WinCap to ensure the former employee was making the correct payment.

Auditor's Comment: During our review, we noted that the District is not invoicing a 2% administrative fee to those enrolled in COBRA to which it is entitled. The District should consider invoicing the additional administrative fee.

In addition, the recently signed American Rescue Plan Act (ARPA) included a provision whereby the federal government will pay 100 percent of COBRA insurance premiums for eligible employees who lost their job from April 1, 2021 through September 30, 2021. The Plan requires employers to send out a notice of the new model for any employees are currently on COBRA or who would be eligible under the new election rules. The District should ensure that the new regulations are understood and are being properly implemented.

Issue #1: Through our review, we noted that the enrollee receiving coverage under COBRA has not remitted payment for the three months he has been covered. The District has six months to retroactively inactivate benefits and collect payments made to the insurance company.

Risk: The District is providing and paying for coverage to enrollees who are no longer entitled to be covered under COBRA coverage.

Level: Moderate

Recommendation: We acknowledge the District has been issuing letters to remind the enrollee of the amount due. We recommend the District collect payment from the enrollee noted or remove them from insurance prior to the six-month cutoff. Lastly, we recommend the District develop formal written procedures for removing enrollees from NYSHIP who are not remitting premium payments, specifically those receiving coverage under COBRA.

Management's Response: *The District will notify the enrollee in writing that if payment is not received, they will be removed from NYSHIP in accordance with NYBEAS regulations. Also, the District will develop formal written procedures for removing enrollees from NYSHIP who are not remitting premium payments.*

Planned Completion Date: (1) Notify enrollee by June 30, 2021; (2) Create formal written procedures by August 31, 2021

Person(s) Responsible for Implementation: (1) Clerk for Employee Benefits; (2) Jennifer Segui, Assistant Business Administrator

V. VESTED EMPLOYEE COVERAGE:

An enrolled employee who terminates employment before retirement age is eligible to continue coverage under NYSHIP as a vestee if the enrollee is a member of the retirement system, is contractually eligible to receive benefits in retirement, and has met the employer's minimum service requirement for continuation of health insurance coverage into retirement. We reviewed the NYSHIP invoice and selected the 3 employee receiving benefits under vested coverage to verify whether the District was correctly providing benefits. Our testing of vested enrollees included confirming whether the employee elected to continue coverage, is placed in the correct coverage category, and is current on his/her premium payments due the District. **No exceptions were noted.**

VI. EXTENDED BENEFITS COVERAGE:

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 following the death, as per NYSHIP regulations (this is referred to as extended benefits).

We selected from the February 2021 NYSHIP invoice the 2 enrollees receiving extended benefits to verify whether the District was correctly providing benefits. Our testing of extended benefits included confirming the employee was recently deceased, and the type of coverage being provided to the surviving dependent was accurate. **No exceptions were noted.**

VII. SURVIVING DEPENDENT COVERAGE:

A 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 41 individuals receiving benefits as a surviving dependent from the February 2021 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.

No exceptions were noted.

VIII. 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 once FMLA has ended to receive health insurance benefits.

We requested a listing of all employees on unpaid LOA or FMLA during the 2020-2021 school year. The District maintains a listing of all employees on leave of absence (paid and unpaid). We were provided with the District-maintained listing and judgmentally selected 10 of the 38 employees who were on a LOA so as to pick those employees who were on unpaid leave. For each employee selected, we determined whether the LOA was Board-approved and whether the employee elected to decline coverage during the leave of absence. If the employee continued coverage during his/her LOA, we then verified whether the employee was remitting the correct payment and whether the payments were properly posted in WinCap. If the employee selected was on a paid LOA, we also verified whether the premium was deducted from the employee's pay. **No exceptions were noted.**

XI. YOUNG ADULT COVERAGE:

Once a dependent reaches the age of 26, NYSHIP will send the dependent a notification indicating the dependent will be removed from the insurance at the end of the month in which he/she reaches the age of 26. NYSHIP advises the dependent that if he/she wants to continue coverage as under the Young Adult Option that he/she must fill out the required form and pay the regular premium. The Young Adult Option is available for dependents 29 and younger, who are unmarried, are a child, adopted child, or stepchild of a NYSHIP enrollee (including those enrolled under COBRA), not insured by or eligible for coverage through his/her own employer sponsored health plan, live, work or reside in New York State or the plan's service area, and not be covered under Medicare.

The District had 4 individuals who were listed as receiving benefits on the February 2021 NYSHIP invoice under Young Adult coverage. Our testing included examining the election form to ensure the individual elected to maintain health insurance coverage under NYSHIP as a young adult. We also obtained the check payment history and cash receipts journal from WinCap to ensure each selection was remitting timely the correct payment to continue coverage. Lastly, we examined the proofs required for NYSHIP's Young Adult Option (e.g., birth certificate). **No exceptions were noted.**

X. DECLINATIONS AND BUY-BACK PAYMENTS:

The District offers certain employees a cash payment, or buy-back, if the employee declines enrolling in the NYSHIP health insurance plan (the buy-back varies based on the bargaining unit contract. Buy-backs are paid twice a year (usually in January and June) and can be prorated by month to the point when the employee discontinues coverage.

As part of our testing, we judgmentally selected 20 employees from the 191 employees receiving the buy-back in February 2021 based on the data maintained by the Business Office that was received from the Benefits Department. 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 buy-back amount per the respective bargaining unit contract, if applicable. We also verified whether all supporting documentation 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.

Issue #2: There are 9 instances in which the benefits files of active employees declining healthcare coverage and opting into the buy-back did not contain documentation to support that the employee would have otherwise been eligible for family coverage (i.e., marriage certificate and/or birth certificates). In addition, the District does not require annual documentation to support family eligibility for the family or the family-to-single buy-back amount.

Risk: The District may be paying the incorrect rate to those employees declining health insurance benefits and opting to receive a buy-back payment. In addition, an employee's eligibility for family coverage may not be properly documented.

Level: Moderate

Recommendation: We recommend the District maintain the required documentation to support family coverage eligibility (i.e., birth certificates, marriage certificates, etc.). In addition, we recommend the District require annual documentation (i.e., tax return) for those employees opting to receive a buy-back in lieu of family health insurance coverage. Such documentation should substantiate the employee's eligibility for family coverage. We also recommend the District modify the buy-back/declination of insurance form to indicate whether the employee is requesting to decline family or individual coverage. Lastly, we recommend that the District maintain benefits documents (e.g., documents to support coverage eligibility) in electronic format (e.g., as a WinCap attachment) to reduce the risk of loss or damage.

Management's Response: *For those employees opting to receive a buy-back, the District will select a sample and request a copy of most recent tax return from that sample. Also, the District will modify its buy-back/declination of insurance form. It will include language advising employees that they may be asked to furnish the District with a copy of their most recent tax return. It will also include language to have employees indicate whether they are declining family or individual coverage. Lastly, the District will contact WinCap regarding maintaining benefit documents in electronic format.*

Planned Completion Date: (1) Modify buy-back/declination of insurance form by September 30, 2021; (2) Collect sample of recent tax returns by June 30, 2022; (3) Contact WinCap by December 31, 2021

Person(s) Responsible for Implementation: (1) Richard Cunningham, Assistant Superintendent for Business; (2) Jennifer Segui, Assistant Business Administrator; (3) Jennifer Segui, Assistant Business Administrator

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