

Hudson Falls Central School District

Retiree Health Insurance Contributions

JUNE 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Hudson Falls Central School District

Audit Objective

Determine whether retiree health insurance contributions were accurately billed, collected, recorded and deposited.

Noteworthy Achievements

- District officials have established adequate procedures to ensure that retiree health insurance contributions were accurately billed, collected, recorded and deposited.
- We reviewed contributions for 40 retirees, totaling \$33,139, and noted minor deficiencies, which we discussed with District officials.
- We randomly selected three months (November 2016, February 2017 and September 2017) to determine whether contributions paid to the District were largely deposited timely and intact.
- We reviewed all 19 deposits from our sample months, totaling approximately \$241,880 and found that retiree health insurance payments were deposited intact, timely and accurately.

There were no recommendations as a result of this audit.

District officials agreed with our findings.

Background

The Hudson Falls Central School District (District) serves the Towns of Kingsbury, Fort Edward, Argyle, Fort Ann and Hartford in Washington County, Moreau in Saratoga County, and Queensbury in Warren County. The District is governed by the Board of Education (Board), which comprises nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The District's business operations are overseen by the Executive Director for Business and Human Resources.

Quick Facts

Number of Individuals Receiving Retirement Health Insurance Coverage	283
District's 2016-17 Share of Retiree Health Insurance Costs	\$1.7 million
2016-17 Health Insurance Costs Paid by Retirees	\$745,532

Audit Period

July 1, 2016 – October 31, 2017

Retiree Health Insurance

What Is an Effective Retiree Health Insurance Contribution Process?

The District provides health insurance benefits to qualifying retirees, their spouses and dependents based on applicable collective bargaining agreements and individual employment contracts. At the time of retirement, District personnel are allowed to convert unused sick leave to health insurance payments at a rate of five sick days for one month of health insurance coverage if they meet certain criteria in their respective collective bargaining agreements. These retirees do not make payments for insurance until their unused sick leave credits have expired. If employees do not have any unused sick leave upon retirement, they are required to make payments to the District for their health insurance coverage.

An effective retiree health insurance contribution system ensures every retiree is billed the correct amount for their share of insurance premiums, and that payments are collected, accurately recorded and deposited timely and intact (i.e., in the same amount and form as received).

The District Has an Effective Retiree Health Insurance Contribution Process

The Treasurer distributes an invoice/payment schedule to retirees receiving District health insurance coverage in early May for July policy renewals and in early November for January renewals. Retiree contributions can be paid by mail or in person to the District's business office on a monthly, bi-monthly or annual basis starting on either January 1 or July 1. The Treasurer maintains a log of received retiree health insurance contributions that details the retiree's name; check date, amount and number; and which months the contribution is applied to. The Treasurer attaches copies of the checks to the log. The Treasurer also maintains a master spreadsheet that tracks each retiree's received monthly contribution, their level of coverage, and total amount due. The Treasurer remits all payments received in their original form (cash or check) to the internal claims auditor to be recorded on the cash receipts log.

The internal claims auditor opens the mail in the District office, sorts payments received from other correspondence and distributes the mail as appropriate. The internal claims auditor then records payments on the cash receipts log regardless of source (i.e., received in the mail or given to the Treasurer from someone paying in person) or form (cash or check). Once recorded, the collections are given to the Treasurer for deposit. The Treasurer makes deposits at least weekly or more frequently during busier periods. The Treasurer records the deposits in the accounting system.

The Treasurer ensures that only eligible retirees, their spouses and dependents are included on the insurance provider's monthly bill. The Treasurer compares the insurance provider's bills to the master spreadsheet, ensuring the District is

being billed for the correct individuals, everyone has the right coverage and the appropriate rate is being charged.

The Treasurer monitors past due retiree contributions. The Treasurer reviews the spreadsheet monthly and determines whether anyone has missed a payment. If there is a missed payment, the Treasurer will send up to two letters to the retirees detailing the amount past due and payment options. The first letter is sent up to 30 days after the original due date. The second letter is sent within 60 days after the date on the first letter. Retirees who do not respond to the letters or exercise a payment option will have their coverage terminated three weeks from when the second letter is dated.

We selected a random sample of 40 retirees and found all were accurately billed. We also reviewed coverage and billing records for these retirees, totaling \$33,139, to determine whether the covered individuals were actually billed. We found that all covered individuals were billed, except for seven retirees whose insurance is paid by the District due to their use of sick leave credits.

Most retirees make bi-monthly payments for their insurance coverage. During our review, we noted that there were three retirees who had either not made a payment or made payments for less than what they owed the District. All three were sent letters detailing their amounts past due in a timely manner.

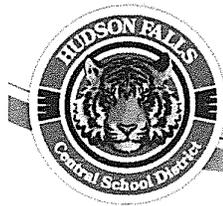
We also randomly selected three months from our audit period (November 2016, February 2017 and September 2017) to determine whether contributions paid to the District were deposited timely and intact. We found only minor discrepancies, which we discussed with District officials.

We reviewed all 19 deposits from our sample months, totaling approximately \$241,880¹ and compared them to the amounts and dates recorded in the accounting system. Retiree health insurance payments were deposited intact, timely and accurately. We found that all checks received were photocopied by the Treasurer and listed by last name on the duplicate deposit tickets. We also found that these deposits were recorded in the accounting system in a timely and accurate manner.

We commend District officials for designing and implementing controls that properly safeguard the billing, collection, depositing and recording of retiree health insurance contributions.

¹ November 2016 had seven deposits totaling \$80,976. February 2017 had seven deposits totaling \$87,140. September 2017 had five deposits totaling \$73,764.

Appendix A: Response From District Officials



HUDSON FALLS DISTRICT OFFICE

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March 23, 2018

██████████
Office of the State Comptroller
Division of Local Government Services
One Broad Street Plaza
Glens Falls, NY 12801

Dear ██████████

Hudson Falls Central School District acknowledges receipt of the draft audit report covering the period of July 1, 2016 - October 31, 2017. The audit focused on retiree health insurance payments.

The audit report did not list any findings requiring corrective action. This is a testament to the policies and procedures in place within our Business Office and Operations.

The district would like to thank the Office of the State Comptroller for the constructive feedback that was provided throughout the process. We would also like to formally commend the OSC auditors for their detailed work and professionalism throughout the entire review.

Sincerely,

Linda J. Goewey
Superintendent

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the procedures for billing, collecting, recording and depositing retiree health insurance contributions.
- We reviewed all retiree health insurance contribution deposits listed on deposit records and compared with the Trust and Agency bank statements. We then compared the amounts and dates of deposits to the dates and amounts recorded in the accounting records.
- We randomly selected 40 retirees who made payments during a randomly selected three months for review.
- We reviewed the monthly amount retirees were billed by the District and compared to the monthly amount on the District's insurance bill and the amount paid by the retiree.
- We recalculated the number of months allowed for sick leave conversion for applicable retirees.
- We determined that timely deposits were those that were made within five business days of receipt (excluding weekends and holidays).

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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