

Plainview-Old Bethpage Central School District

Retiree Health Insurance

SEPTEMBER 2018



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

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Report Highlights

Plainview-Old Bethpage Central School District

Audit Objective

Determine whether the District is paying health insurance premiums for deceased retirees or their dependents.

Key Findings

- The District did not pay health insurance premiums for deceased retirees or their dependents.
- District officials did not independently verify whether retirees were living and still eligible for coverage.

Key Recommendations

- Establish a process to periodically monitor the status of all retirees and their spouses and dependents receiving health insurance coverage.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Plainview-Old Bethpage Central School District (District) is located in the Town of Oyster Bay in Nassau County.

The Board of Education (Board) is responsible for managing the District's financial and educational affairs. The School 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 benefits clerk is responsible for processing retiree health insurance benefits.

Quick Facts

2018-19 Budgeted Appropriations	\$157.2 million
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Employees	1,430
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Number of Retirees Receiving Health Insurance Coverage	540
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Retiree Health Insurance Costs During Audit Period	\$2.9 million
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Audit Period

July 1, 2016 – February 28, 2018

Retiree Health Insurance

How Should the District Ensure It Is Not Paying Health Insurance Premiums for Deceased Retirees?

School districts should design controls to ensure that all payments to health insurance providers are accurate. These controls should include a process to determine the status of retirees and their dependents, particularly because family coverage is significantly more expensive than individual coverage. In addition, routine reconciliation of provider invoices with the District's records helps to ensure that payments are accurate.

The District provides health insurance coverage to its current and retired employees by offering coverage through the New York State Health Insurance Program (NYSHIP) and another health insurance provider. The District pays monthly premiums to the insurance providers for each active and retired employee, the cost of which depends on whether the individual is enrolled in individual or family coverage.

For retirees who worked a minimum of five years for the District, it provides health insurance coverage based on their marital status and whether they have dependents. During our audit period, approximately 540 retired employees were entitled to health insurance coverage for which they were required to pay a percentage of the total premium. The District contributed 50 percent of the premium for individual coverage and 35 percent for family coverage. When a retiree died, the retiree's surviving spouse and/or dependents were entitled to continued coverage, but were responsible for the entire premium.

The District Does Not Periodically Verify That Retirees Are Eligible for Coverage

The District's benefits clerk maintained a list of all retiree health insurance enrollees and the type of coverage provided (family or Individual) and reconciled the list monthly with the insurance providers' invoices. However, the District does not have procedures for independently verifying whether retirees are still living or whether their dependents are still eligible for coverage.

The benefits clerk relies on NYSHIP to identify retirees who are deceased and to issue any appropriate credits or refunds for any premiums paid for periods after the retirees' deaths. The clerk also relies on quarterly reports from the New York State and Local Retirement System (NYSLRS) to notify them when a retiree dies. In addition, the District requires Medicare-eligible retirees to annually certify in writing that they are still eligible for reimbursements.

While these practices collectively provide updates of a retiree's status, relying on them may not identify all deceased retirees. Not all retirees receive their health benefits from NYSHIP or are Medicare eligible, and only a portion of the District's

retirees belong to NYSLRS. Most retirees belong to the New York State Teachers' Retirement System which does not notify districts when members have died.

During our audit period, the District paid approximately \$2.9 million for retiree health insurance premiums. The District provided us with a list of 540 retirees who were receiving health insurance coverage from the District. Because officials did not independently verify whether retirees were still living, we tested all 540 and identified 23 who had died during our audit period. We reviewed the corresponding health insurance invoices and found that policies for these deceased retirees were cancelled in a timely manner and that the District obtained appropriate credit or refunds for any premiums paid for periods after their deaths.

Although our testing did not identify any discrepancies, District officials could improve controls over retiree health insurance by requiring staff to periodically perform an independent verification of retirees' status to help ensure that District records are up-to-date and reliable. Relying on third parties or communications from retirees who are eligible for Medicare reimbursements to notify the District when a retiree dies could result in the District paying unnecessary costs.

What Do We Recommend?

The Board and District officials should:

1. Develop written policies and procedures for periodically monitoring the status of all retirees and their spouses and dependents who receive health insurance coverage. Such procedures could include annually contacting retirees by phone or mail to obtain updates of their contact and eligibility information.

Appendix A: Response From District Officials



PLAINVIEW-OLD BETHPAGE CENTRAL SCHOOL DISTRICT

106 Washington Avenue, Plainview, New York 11803

www.pobschools.org

September 17, 2018

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

The Plainview-Old Bethpage Central School District has received and reviewed the Comptroller's report *Retiree Health Insurance, Report of Examination 2018M-148*. We are pleased that the audit team, through their thorough search of our District's records, found no occurrences of payments of health insurance premiums for deceased retirees or their dependents. The risk assessment performed by the OSC audit team found the District had strong controls and sound financial practices in all areas including the planning and use of fund balance and reserves. This letter serves as both our audit response and corrective action plan.

The report recommends that the District implement a process to independently verify the status of a small subsection of retirees that are not covered under our current verification process. Thirty-five individuals, representing 6.5% of all 540 retirees receiving health insurance coverage during the audit period, did not have their status independently verified through a direct mailing. The District was aware of the status of these 35 non-Medicare eligible retirees which this recommendation points to, but did not have a formal verification process using either an annual mailing or direct phone call to verify our understanding of their status. The Assistant Superintendent for Business will develop and document an annual process to independently verify the status of non-Medicare eligible retirees through a mailing to this subsection of retirees effective the current fiscal year. Additionally, the Superintendent has already contacted the Teachers' Retirement System (TRS) to inquire about all districts in New York State receiving active communication whenever they are informed of a deceased employee, in similar format to the Employees' Retirement System (ERS).

The Plainview-Old Bethpage School District is committed to continuous improvement of its financial processes with the goal of using sound financial practices to support the community's educational mission while recognizing the financial effort of our homeowners and to continue to strengthen our internal controls to protect District resources. We thank the OSC audit team for supporting us in this commitment to the Plainview-Old Bethpage community.

Sincerely,

Ginger Lieberman
Board of Education President

Dr. Lorna Lewis
Superintendent of Schools

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 the benefits clerk to gain an understanding of the retiree health insurance process.
- We reconciled the District's list of retirees receiving health insurance coverage to third-party health insurance invoices for February 2018 to ensure the list was complete.
- Using computer assisted audit tools, we verified the life status of all 540 retirees who were receiving health insurance coverage through the District during our audit period.
- We identified 23 retirees who had died during our audit period and reviewed health insurance invoices to determine whether the District paid health insurance premiums for deceased retirees and, if so, whether the District obtained credits or refunds for these payments.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 District 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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110 State Street, 12th Floor, Albany, New York 12236

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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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