

# Rockland County Community College

## Employee Benefits

MARCH 2020



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

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# Report Highlights

## Rockland County Community College

### Audit Objective

Determine whether the College can obtain cost savings by reducing the costs of employee benefits.

### Key Findings

- The College overpaid \$4.6 million to the County for health insurance in fiscal years 2018 and 2019.
- Of the 20 employees paid health insurance buyouts totaling \$81,189, 16 were inaccurate, for a net underpayment of \$7,397.

### Key Recommendations

- Reconcile insurance billings from the County to ensure they are billed the correct amounts.
- Perform the buyout calculations in order to verify the accuracy of the County calculation.

College officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

### Background

Rockland County Community College (College), located in the Town of Suffern, is sponsored by Rockland County (County) and was founded in 1959 as part of the State University of New York (SUNY) system. The College is governed by a Board of Trustees (Board) composed of 10 members. The Board is responsible for the general management and control of the College's financial and educational affairs.

The President of the College (President) is the College's chief executive officer, and the Chief Financial Officer is responsible for the fiscal operations. The Human Resources Director is responsible for ensuring College employees are receiving the benefits to which they are entitled. Under the direction of the Board, these individuals are responsible, along with other administrative staff, for the College's day-to-day management.

#### Quick Facts

Employees as of August 15, 2019	1,290
2018-19 Appropriations	\$66.8 million
2018-19 Employee Benefits	\$21.9 million

### Audit Period

September 1, 2017 – August 15, 2019

# Employee Benefits

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## How Can the College Contain Employee Benefits Costs?

Colleges have a responsibility to provide contractual employee benefits in a cost-effective manner. Collective bargaining agreements (CBAs) or employment contracts that address such benefits may generally determine the amounts that a college and employees contribute to the cost of these benefits. Colleges should design controls to ensure that all payments for health insurance are accurate. These controls should include a process for verifying enrollees in each plan, the type of plan, and the amount of the premiums for each employee. In addition, routine reconciliation of provider invoices with the college's records helps to ensure that payments are accurate.

As part of the contract negotiation process, a college may offer an annual payment in lieu of health insurance coverage, referred to as a buyout incentive, to its employees who have appropriate coverage available from another source and who choose to receive the payment in return for not being covered by the college's health insurance. Buyout incentives may reduce a college's costs if the payments provided in lieu of coverage are less than the college would spend on health insurance for these employees.

Buyout payment calculations should be made in accordance with the terms of the contracts, and the board should ensure that the amounts paid are correctly calculated by having an official or employee independent of the buyout process review the information supporting the buyout calculations before payments are made.

## The College is Overpaying for Health Insurance

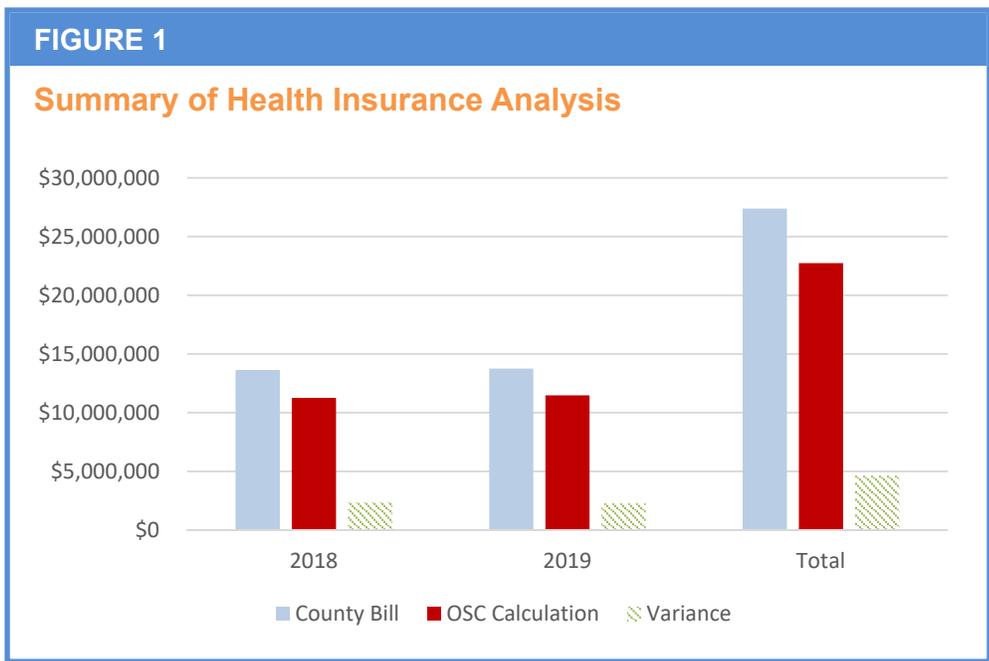
The College is a component unit of Rockland County (County). The College's civil service employees are part of the County's CBA with the Civil Service Employees Association (CSEA). The College is responsible for the other CBAs which cover its employees. In addition, the College has Exempt Administrator positions which are not covered by a CBA. The County administers the College's health (medical, dental and vision) insurance programs and remits an invoice to the College for these costs.

The College provides medical insurance coverage to its current and retired employees by offering coverage through the New York State Health Insurance Program (NYSHIP) and two other health insurance providers. In addition, the College provides employees dental and vision insurance.

We reviewed the College's employee benefits and found the College has no procedures to ensure that the health insurance billings contain College-authorized enrollees and the correct premium amounts. The County does not provide supporting documentation for the billings, making it difficult for College officials

to properly reconcile the health insurance charges to the enrollees. In addition, the College uses a County-generated list of enrollees for any internal analyses which, in effect, is reconciling County records to County records.

During our audit period, the College paid approximately \$27.4 million to the County for health insurance. Using a list of enrollees and the coverage type provided by the College, we recalculated the bills based on the premium rates provided by the County. We compared these costs to the County’s lump-sum bills to the College for the fiscal years ended August 31, 2018 and August 31, 2019 and found that the College was overbilled by a total of \$4.6 million (Figure 1).



We identified \$1.2 million of this \$4.6 million variance as relating to the employee contributions for health insurance. This discrepancy occurred because the County is adding the employees’ contributions to the premiums on the bill to the College rather than subtracting them. For example, the 2019 monthly premium for NYSHIP family coverage according to the rates provided to the College by the County was \$2,413. If the required contribution for an employee was 15 percent, the employee would be responsible for \$362 per month<sup>1</sup> and the College would be responsible for \$2,051. However, for this coverage type, the County billed the College the full premium amount of \$2,413 and the employee contribution portion of \$362, for a total cost of \$2,775. Using the County’s bills as sent to the College, Figure 2 illustrates the overcharges for employee contributions. We were unable to determine the causes of the remaining \$3.4 million variance.

<sup>1</sup> The College deducts the required pro-rated contribution from applicable employees each pay period.

**Figure 2: Employee Contributions**

	County Bill	Examiner Calculation	Variance
<b>2018</b>	\$282,514	(\$282,514)	\$565,028
<b>2019</b>	\$337,354	(\$337,354)	\$674,708
<b>Total</b>	<b>\$619,868</b>	<b>(\$619,868)</b>	<b>\$1,239,736</b>

College officials told us they repeatedly requested a detailed bill from the County during the audit period, but the County did not provide the breakdown of its calculations for the health insurance charges. In addition, Human Resources staff believed that the Finance Office was reconciling enrollees from College records to County records and the Finance Office thought that Human Resources was performing these reconciliations.

Because the College receives no supporting documentation from the County and does not perform reconciliations, College officials cannot be certain that the College's healthcare costs are accurate and the payments made to the County are correct.

### **Health Insurance Buyout Payments Are Inaccurate**

The College had 20 employees who were paid buyouts totaling \$81,189 during the 2017-18 and 2018-19 fiscal years. According to the CBAs, eligible employees who receive a buyout are paid 25 percent of the NYSHIP premium less any mandated employee contributions. The County performs the buyout calculation based on the employee's eligibility for health insurance through the College, either at the individual or family plan rate. We determined whether the buyout paid to each eligible participating employee was accurately calculated, based on the eligible coverage (individual or family plan).

We found that 16 of the 20 buyouts paid were inaccurate. College officials received the buyout amount from the County with no supporting calculations and made the payments based on those amounts. Using the premium rates provided, we determined that the College underpaid a total of \$7,667 to 15 participants and overpaid \$270 to one participant.

College officials told us they do not review the County's calculations. When the Associate Director of Human Resources contacted the County for detailed calculations, the County employee responsible did not provide them. However, College officials had the necessary information to perform this calculation themselves.

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Because College officials are not provided detailed information from the County and do not verify the buyout amounts, College officials could continue to make inaccurate buyout payments to College employees.

### **What Do We Recommend?**

College officials should:

1. Reconcile insurance billings from the County to ensure they are billed the correct amounts.
2. Perform the buyout calculations in order to verify the accuracy of the County calculation.

# Appendix A: Response From College Officials

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Dr. Michael A. Baston, President

February 28, 2020

Lisa Reynolds  
Chief Examiner  
Office of the New York State Comptroller  
Division of Local Government and School Accountability  
33 Airport Center Drive, Suite 103  
New Windsor, NY 12553

Re: Response to OSC Draft Audit Report

Dear Chief Reynolds,

This letter is written in response to the Office of the State Comptroller (OSC) Report of Examination relating to Employees Benefits at Rockland Community College for the period September 1, 2017 – August 15, 2019. We agree with the conclusions put forth by the State and will work with our partners at Rockland County to fully address the issues highlighted in the report. We take every recommendation very seriously and further commit to the implementation of our forthcoming corrective action plan.

Although we plan to provide a formalized, detailed corrective action plan within the required timeframe, which will demonstrate clearly what corrections are planned, by whom and by when, this written response will provide our reaction to your recommendations.

## EMPLOYEE BENEFITS

*Key Recommendation #1: “reconcile insurance billings from the County to ensure they are billed the correct amounts”.*

The College will immediately begin to address this recommendation from the OSC. The RCC Finance Division will start by reaching out to County officials to obtain the data needed to make the reconciliations that will verify the accuracy of insurance billings. Once the information is received we will work to develop a systematic process of monthly reconciliations that are filed for future reference. The College will work to reconcile billings from the current fiscal year back to September, 2019 so that a complete fiscal year is included in our permanent records. Once in place, this process will continue through the fiscal year and become an integral part of our routine month-end closing procedures. The detailed process will be included the corrective action plan.

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[www.sunyrockland.edu](http://www.sunyrockland.edu)

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*Key Recommendation #2: “Perform the buyout calculations in order to verify the accuracy of the County calculation”.*

The audit revealed that the College has sufficient information to perform this reconciliation. The College will begin to address this recommendation by analyzing and documenting the current process to determine, specifically, where this information can be obtained and who should be responsible for this reconciliation. An updated process will then be drafted for monthly reconciliations to include responsibility assignments, accountability and internal control safeguards. Once, again, the detailed process will be included the forthcoming corrective action plan.

We thank you for taking the time to examine our processes for reconciling and monitoring our employee benefits. We also thank the Office of the State Comptroller for its professionalism in dealing with employees and the conduct of this audit.

Sincerely,

Michael A. Baston, EdD, J.D.  
President

cc: Martin Wortendyke, Chairman, RCC Board of Trustees  
Benjamin Naylor, Chief of Staff  
Dr. Daniel DoBell, Interim Chief Financial Officer

## Appendix B: Audit Methodology and Standards

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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 gained an understanding of the employee benefits the College offered by interviewing College officials and reviewing CBAs. We compared the overall employee benefit costs to surrounding school districts with similar budgets to the College to determine whether there was a potential for cost savings for the College.
- We determined the monthly healthcare costs by adding the County-provided rates for all medical, dental and vision enrollees and their plan types (individual and family). We calculated the variance of the monthly totals the County billed to the College to verify accuracy of healthcare costs. We analyzed the variances to determine the potential cause.
- We compared all 20 buyout payments made during the audit period to CBAs to determine whether the payments were appropriate, supported by CBAs and correctly calculated in accordance with contractual provisions.
- Using computer-assisted audit tools, we verified the life status of all retirees who were receiving health insurance coverage through the College during our audit period.
- We analyzed the College's retirement costs that are provided through Rockland County.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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 office of the Secretary to the Board of Trustees.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

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

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

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.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](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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