



# Greece Central School District Retiree Health Insurance

## Report of Examination

Period Covered:

July 1, 2014 – July 31, 2015

2016M-54



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

June 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Greece Central School District, entitled Retiree Health Insurance. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Greece Central School District (District) is located in the Town of Greece, Monroe County. The District is governed by the Board of Education (Board), which is composed of 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 is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction.

The District paid about \$30.7 million in health insurance premiums from July 1, 2014 through July 31, 2015. The District has various bargaining unit contracts and employment agreements which outline health insurance benefits extended to employees upon their retirement. District employees have an option to receive individual or family health insurance coverage as part of their retirement benefits package. The Board is responsible for establishing District policies, including policies that provide for controls over health insurance payments for retirees and dependents. School district officials are responsible for overseeing daily fiscal operations, including the payment of health insurance invoices.

The District operates 17 schools with approximately 11,000 students and 3,500 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$217 million, which were funded primarily with real property taxes, State aid and sales tax.

## Objective

The objective of our audit was to review the District's records and procedures for providing retiree health insurance benefits. Our audit addressed the following related question:

- Did the Board and District officials ensure that retiree health insurance enrollees are eligible?

## Scope and Methodology

We examined the process of providing health insurance for District retirees for the period July 1, 2014 through July 31, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

**Comments of  
District Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with the findings in the report and indicated they planned to take corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

## Retiree Health Insurance

Health insurance costs represent a significant portion of a district's budgeted expenditures. To minimize health insurance costs, it is important that boards of education and district officials develop policies and procedures designed to ensure that all payments to health insurance providers are supported and accurate and that all enrollees are eligible.

The Board and District officials could improve their efforts to ensure retirees enrolled for health insurance benefits are eligible. The Board has not developed written policies or procedures to monitor retiree health insurance eligibility. The District also made payments to providers totaling \$3.6 million without receiving support indicating enrollee information, premium rates or both. Further, District officials are not proactively ensuring the continued eligibility of retirees. As a result, the District has an increased risk that it could be paying for ineligible enrollees.

District officials told us there have not been any approved written procedures for addressing how retiree health insurance should be administered. Upon retirement from the District, a retiree selects a District health insurance policy based on the agreement or individual employment contract in effect at retirement. A personnel clerk processes the retiree's health insurance selection and maintains a list of retirees. In addition, two personnel clerks share the responsibility of determining the eligibility status of retirees by reviewing obituaries and receiving notices from family members.

While these informal practices collectively provide some indications of a retiree's death, relying on these practices alone makes the District dependent on multiple third parties, informal communications and communications made only to retirees eligible<sup>1</sup> for Medicare reimbursements. These practices may not identify all deceased retirees. For example, the review of obituaries will identify only those retirees who have continued to live in the community or whose relatives have chosen to place their obituary in a local paper. Word of mouth and family notification are uncertain sources, either because the deceased retiree no longer has close family members or because family members do not take the initiative to notify the District of the retiree's death.

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<sup>1</sup> The District contacts enrollees three months prior to Medicare eligibility to select supplemental coverage.

The failure to establish written policies and procedures for reviewing enrollee eligibility could result in the District paying for individuals who are not entitled to insurance benefits.

The District paid about \$30.7 million in health insurance premiums from July 1, 2014 through July 31, 2015. Invoices totaling about \$3.6 million contained a total invoice amount but did not contain supporting enrollee information, the premium rates or both. We requested that the District obtain enrollee and premium information for the unsupported invoices. The District made numerous unsuccessful attempts to obtain the missing support from the carriers. Without supported invoices, there is a substantial risk that the District may be paying premiums for individuals they are not legally obligated to pay and for more than they are contractually obligated to pay.

We reviewed three months<sup>2</sup> of health insurance claims totaling \$7.2 million. We compared the enrollees on the invoices to the District's records to determine if the enrollees were current employees, retirees or otherwise eligible for health insurance.<sup>3</sup> For a portion of the claims selected totaling \$321,168, the District could not provide us with detailed invoices (including supporting enrollee information, premium rates or both). However, our testing of the remaining detailed invoices, totaling \$6.9 million, disclosed no significant errors. We also compared the social security numbers of all primary enrollees receiving health insurance from the District against the Social Security Administration Database to determine if any individuals were deceased and found minor discrepancies that were discussed with local officials.

## Recommendations

The Board and District officials should:

1. Develop written policies and procedures to periodically monitor the status of all retirees and their spouses and dependents receiving health insurance coverage. Such procedures could include:
  - Regularly contacting all retirees by phone or mail to obtain updates of their contact and eligibility information.
  - Comparing enrollees' social security numbers against the Social Security Administration Database.

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<sup>2</sup> See Appendix B for methodology.

<sup>3</sup> Otherwise eligible enrollees include retirees' spouses and dependents and former employees who, by separation agreement, remain eligible.

District officials should:

2. Obtain health insurance vendor invoices and compare enrollees to District records to ensure that the District is only paying health insurance for eligible retirees.



## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following page.



**KATHLEEN GRAUPMAN**

*Superintendent of Schools*

Office of the State Comptroller  
Division of Local Government & School Accountability  
44 Hawley Street  
Binghamton, N.Y. 13901

Dear Ms. Singer;

The Greece Central School District has received and reviewed the draft Retiree Health Insurance Audit #2016M-54 for the period of July 1, 2014 through July 31, 2015 recently completed by your office. Please accept this correspondence as the official response from the District relating to the findings of the report.

The Board of Education and District Administration are committed to continuous improvements in our operations, processes, and internal controls. We believe that strengthening controls and safeguarding our school district resources and assets are key factors in efficient and effective use of taxpayer resources. We do also rely on our internal and external auditors to assist in identifying enhancements and improvements to our policies and business procedures. As such, we welcome the recommendations made by your office.

The District is in agreement with each of the audit recommendations made in the report. While we do have standard protocols in place for monitoring health insurance eligibility and payments, we recognize that these processes can be improved and should be formally memorialized in policy and regulations. Additionally, as we complete our transition to a new financial management software platform, we will ensure integration of these protocols as appropriate. The District's formal Corrective Action Plan will be developed, reviewed with the Audit Committee and Board of Education, and submitted to your office within the next 90 days as required.

We would like to thank the audit team for their cooperation and feedback during this process. Please contact me at 585-966-2301 if you have any questions or need additional information.

Sincerely,

Kathleen Graupman  
Superintendent of Schools

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**STUDENT LEARNING IS THE GOAL**

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

Our objective was to determine if the District was properly monitoring retiree health insurance enrollees. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed policies and procedures of the District and interviewed District officials regarding retiree health insurance eligibility.
- We determined completeness of health insurance invoices.
- We judgmentally selected three months (July 2014, January 2015 and July 2015) of insurance claims to review for retiree eligibility. We selected the first and last month of the audit period, as well as a middle month. We had no expectations of greater or lesser errors in making our selection. We compared billed enrollee information to payroll information and retiree listings.
- We reviewed records for a sample of 122 retirees (using a random number generator, out of a population of 811) to details in employee files to determine if individuals were retirees of the District, spouses or dependents, and we compared Social Security numbers and dates of birth.

We conducted this performance audit in accordance with 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.

## **APPENDIX C**

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