

Ulster County Community College

Retiree Health Insurance and Payroll

OCTOBER 2018



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

Contents

- Report Highlights 1**

- Retiree Health Insurance 2**
 - How Can Officials Ensure Adequate Controls Over the Retiree Health Insurance Billing and Collections Process? 2
 - Retiree Health Insurance Accounts Have Not Been Updated 2
 - The College Does Not Proactively Review for Continued Eligibility 3
 - What Do We Recommend? 4

- Payroll. 5**
 - How Can Officials Ensure Adequate Controls Over the Payroll Process? 5
 - Officials Did Not Segregate Duties or Perform Supervisory Review of the Payroll Process 5
 - What Do We Recommend? 6

- Appendix A – Response From College Officials 7**

- Appendix B – Audit Methodology and Standards 16**

- Appendix C – Resources and Services. 18**

Report Highlights

Ulster County Community College

Audit Objective

Determine whether College officials (officials) established adequate internal controls over:

- The retiree health insurance contribution billing process.
- The payroll process.

Key Findings

Officials did not:

- Properly account for retiree health insurance billings.
- Ensure the continued eligibility of retirees, and inappropriately paid \$2,092 in premiums for two deceased individuals.
- Segregate payroll duties or perform supervisory review.

Key Recommendations

- Ensure that comparisons are performed to determine status of retiree health insurance accounts.
- Attempt to recover premiums paid for deceased enrollees from the health insurance provider.
- Establish adequate segregation of duties within the College's payroll process.
- Ensure that payroll registers are certified.

College officials agreed with our recommendations and indicated they have initiated corrective action.

Background

Ulster County Community College (College) is located in the Town of Marbletown, Ulster County. A 10-member Board of Trustees (Board) governs the College and is responsible for general oversight of the College's financial and educational affairs.

The President of the College (President) is the College's chief executive officer and is responsible for executing and enforcing Board policies. The Vice President for Administrative Services (Vice President) serves as the principal deputy to the President in all administrative, managerial and business areas.

The payroll manager, under the supervision of the Assistant Dean of Human Resources (Assistant Dean), is responsible for processing payroll. The Assistant Dean also oversees the Human Resources department (HR), including retiree health insurance billing.

Quick Facts

Number of Retirees Receiving Health Insurance Coverage	125
Annual Retiree Premiums	\$779,000

Audit Period

September 1, 2016 – April 20, 2018

We extended our scope for the deceased retiree testing to April 13, 2016.

Retiree Health Insurance

The College offers health insurance to retired College employees as well as their eligible dependents. Most retirees are required to contribute 50 percent of their premium to remain insured based on their respective Collective Bargaining Agreement. There are two departments responsible for retiree health insurance — Student Accounts for adding the reoccurring charges to the accounts and processing payments and HR for receipt of the health insurance invoices and tracking information changes.

How Can Officials Ensure Adequate Controls Over the Retiree Health Insurance Billing and Collections Process?

The College should establish procedures that require:

- Billing information be updated in the accounting system based on a review for changes and updates from the retiree health insurance premium invoices,
- Delinquent accounts be identified and collection pursued,
- A periodic review of the retirees and dependents eligibility.

Retiree Health Insurance Accounts Have Not Been Updated

HR sends an annual memo to the retirees informing them of the monthly contribution amount. Student Accounts initiates monthly reoccurring charges in the accounting system for the retirees. HR reviews the insurance invoices received and tracks the changes throughout the year in a spreadsheet however, the changes are not updated in the financial system. Additionally, while Student Accounts posts the payments throughout the year, the accounts are not reviewed to determine who is delinquent on their payments. Collections on delinquent accounts are not pursued.

We reviewed all of the 115 current billings¹ applied to the retirees' accounts in the accounting system totaling \$37,572 for the month of October 2017. We compared the billings above to HR's spreadsheet to determine if the billings were correct. We found that 20 accounts were overcharged by \$4,878 and 13 accounts were undercharged by \$2,157 for a total aggregate error of \$7,035 (or 19 percent).

Although Student Accounts generates a monthly aging schedule that they provide to HR, no one reviews the report and no action is taken on delinquent accounts. We reviewed the aging schedule² from the Student Accounts module as of October 31, 2017 and found that out of the 125 retiree accounts on the report, 41 accounts had negative balances totaling \$14,295. This is an indication that more

1 Monthly recurring charges in the accounting system

2 An aging schedule shows the status of accounts receivable based on the age of balances.

money was received than billed from a combination of retirees pre-paying their accounts and from errors made in the accounting system. Additionally, 31 accounts had positive balances more than 30 days old totaling \$32,830, or less money was received than billed, which are potentially delinquent accounts.

The errors in billings contribute to the balances on the aging schedule. These errors occurred because the accounts are not updated after receiving the monthly premium invoices, even after changes to coverage occur or accounts are removed from the invoice.

Officials told us that they do not have the staff or time to compare the accounts to the invoices, make the necessary updates and pursue delinquent accounts. As a result the College could be paying more than they should for premiums, retirees may be paying more or less than their share of their contributions and the College's accounts receivable balances for these types of accounts are not accurate.

The College Does Not Proactively Review for Continued Eligibility

We compared the Social Security numbers of all 160 retirees and their dependents for which Social Security numbers were available against the Social Security Administration Database to determine if any of the individuals within the accounting system accruing charges, listed on the aging schedule, or listed in HR's spreadsheet were deceased. We found that six individuals were deceased. For the remaining 10 enrollees for which the College did not have Social Security numbers, we manually searched for obituaries and found that two were deceased. Furthermore, we reviewed the invoices over the time period since the eight retirees/dependents passed away and found that the College paid \$2,092 in premiums for two deceased individuals. While HR updated its spreadsheet and removed the remaining six deceased names, charges were still being added to their accounts in the financial system. We reviewed the aging schedule for all eight individuals and found that they contributed to \$6,455 in positive account balances of the \$32,830 mentioned in the previous section.

Officials do not proactively determine if enrollees are still eligible for services. Officials told us that they do not have the staff or time to conduct the necessary research. Without periodically reviewing eligibility, the college continues to be at risk for paying for deceased individuals.

The College paid \$2,092 in premiums for two deceased individuals.

What Do We Recommend?

Officials should:

1. Establish procedures requiring the student accounts module be updated monthly based on invoice changes.
2. Compare all retiree accounts to the premiums invoiced to the College to determine amounts owed to or from the retirees.
3. Attempt to recover premiums paid for deceased enrollees from the health insurance provider.

Payroll

How Can Officials Ensure Adequate Controls Over the Payroll Process?

To maintain an effective system of internal controls over the payroll process, officials should segregate duties so that no one individual has access to control all aspects of payroll. For example, one person should not be able to add employees, change pay rates, process payroll, sign checks and print checks. When it is neither practical nor cost-effective to segregate duties, the officials must instill oversight procedures to reduce the risk of errors or irregularities not being detected. Controls include the review of payroll registers by an individual with direct supervision over payroll personnel or payroll department.

The Board-adopted policy states that all payrolls, including those that are not issued during the normal payroll run, should be reviewed and certified by the President or Vice President.³ Additionally, during the certification process, the certifier should review the sequence of checks, by use of a check log, from one payroll to the next to ensure no checks were issued without their review and authorization.

Officials Did Not Segregate Duties or Perform Supervisory Review of the Payroll Process

Officials did not adequately segregate the payroll manager's duties and access to the financial software. The payroll manager completes the timekeeping, processes payroll and prints the checks during which the Vice President's electronic signature is added to payroll checks. Additionally, the payroll manager has access in the financial software to change employees' rates. Furthermore, all of these procedures are completed without supervisory review and payroll certifications were not conducted.

We found that checks were being issued outside of the normal payroll process. Since these checks differed in amounts from normal payroll, we reviewed all 18 checks within our scope totaling \$28,479 that were issued between the College designated pay periods to determine if they were legitimate. These checks were issued for items such as submission of late timesheets. While they were all legitimate, 14 checks totaling \$20,297 were not approved by the Vice President prior to issuance. According to the payroll manager, checks are issued between payroll dates at her supervisors' verbal request but usually without review. The resignation of the previous coordinator of personnel services and a lack of available payroll personnel led to the current payroll manager assuming all duties related to the payroll process. The current Assistant Dean was not aware of the need for formal review of the payroll manager's work and the Vice President was not aware of the College's payroll certification policy.

³ The policy language refers to the "Dean of Administration"; however, the position title changed to "Vice President of Administration" since its adoption.

Failure to segregate payroll duties, perform reviews of payroll and certify completed payrolls increases the risk that errors are made and that unauthorized payments with payroll processing occur and remain undetected.

What Do We Recommend?

Officials should:

4. Establish procedures to ensure adequate segregation of duties within the payroll process.
5. Revise financial application user access rights to ensure that payroll personnel responsible for the preparation and processing of payroll do not have access to make employee pay rate changes.
6. Review and certify the payroll registers before all payroll checks are issued following the Board-established payroll certification requirements.
7. Review check logs to ensure that no checks are issued outside of designated pay periods without documented supervisory approval and certification.

Appendix A: Response From College Officials

Office of the President
845-687-5050

SUNY Ulster
Start Here. Go Far.
Ulster County Community College
Stone Ridge, NY 12484
845: 687-5000
fax 845: 687-5292
www.sunyulster.edu

October 12, 2018

Ms. Tenneh Blamah
Chief Examiner
Office of the State Comptroller
Division of Local Government & School Accountability
Newburgh Regional Office
33 Airport Drive, Suite 103
New Windsor, NY 12553-4725

RE: 2018-M-123

Dear Ms. Blamah:

On behalf of the Board of Trustees and myself, I want you to know that we welcome external review of both our programs and services as well as our processes and procedures. We view your report on Retiree Health Insurance and Payroll as a vital tool in moving forward on all of the areas that your team has identified and agree with your recommendations. We have already taken many steps to put these recommendations in place through our Board of Trustees Corrective Action Plan included with this audit response.

We also welcome this process as an opportunity to improve and strengthen our formal procedures as well as their execution. Again, on behalf of our Board of Trustees, we acknowledge that the management of the funds we receive, whether from student tuitions or through public support, is a trust that we are obliged to fulfill as public employees.

I want to reiterate that the College Board of Trustees and I welcome this type of review and thank your office for the appropriate recommendations.

Regards,

Dr. Alan P. Roberts,
President



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Ulster County Community College does not discriminate in education, employment or any of its businesses on the basis of sex, sexual orientation, race, color, age, veteran status, religion, national orientation or handicapping conditions. This policy is in compliance with Title IX of the Education Amendments of 1972.

**SUNY Ulster Board of Trustees Executive Committee Action
taken on the 11th day of October, 2018.**

<p>SUNY Ulster Board of Trustees</p> <p>Title: Approval of SUNY Ulster’s Corrective Action Plan (CAP) for the Office of the New York State Comptroller Resolution # 18-10-188</p>	<p>Agenda Item:</p>
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Resolution:

WHEREAS, the Office of the State Comptroller (OSC) presented a Report of Examination of Retiree Health Insurance and Payroll for the College in September of 2018, and

WHEREAS, the OSC required a Corrective Action Plan (CAP) to be submitted by the SUNY Ulster governing board to communicate how audit findings and recommendations will be used positively to improve operations, now, be it, therefore,

RESOLVED, that the SUNY Ulster Board of Trustees does hereby approve submitting the Corrective Action Plan dated October 12, 2018, and audit response letter, to the Office of the New York State Comptroller.

Executive Committee Approval,
October 11, 2018

Certified as a true and correct copy
by Jennifer A. Zell, Secretary to the
Board of Trustees

Submitted by:
Alan Lomita
Chair, SUNY Ulster Board of Trustees
_____ Title

Approved by:
Alan P. Roberts
President
_____ Title

Signature 10/11/18
Date

Signature 10/12/18
Date

Office of the President
845-687-5050

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**Ulster County Community College
Retiree Health Insurance and Payroll
Corrective Action Plan
2018M-123**

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed:

1. **Audit Recommendation:**

Officials should establish procedures requiring the student accounts module be updated monthly based on invoice changes.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

At the time of the OSC audit and much of the requisite audit period, the College did not have a Benefits Administrator due to an August 2016 staff resignation. As such, the proper attention to the student accounts module with invoice changes was not achieved.

In or about April 2018, a procedure requiring the update of the student accounts module upon notification of retiree changes was implemented. Vendor invoices are reviewed monthly to ensure the accuracy of the bill charges.

Implementation Date:

This component was implemented with the development of internal procedures by Officials in or about April 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services



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Ulster County Community College does not discriminate in education, employment or any of its businesses on the basis of sex, sexual orientation, race, color, age, veteran status, religion, national orientation or handicapping conditions. This policy is in compliance with Title IX of the Education Amendments of 1972.

2. **Audit Recommendation:**

Officials should compare all retiree accounts to the premiums invoiced to the College to determine amounts owed to or from retirees.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

Beginning in or about April 2018, the College student accounts and human resources departments began a review of all retiree accounts comparing invoices from carriers, charges to retirees, and payments made by retirees on accounts. As of the submission of this response, all retiree accounts have been reviewed to determine amounts owed to or from retirees.

As described in the response to Audit Recommendation 1, College Officials implemented a procedure in April 2018 whereby retiree accounts are reconciled monthly to invoice premiums before carrier payments are approved.

Implementation Date:

The above process reviewing each retiree account to determine amounts owed to or from retirees began in or about April 2018 and was completed in October 2018. Also, effective April 2018 retiree accounts are reconciled to invoice premiums monthly prior to payment.

Person Responsible for Implementation:

President; Vice President for Administrative Services

3. **Audit Recommendation:**

Officials should attempt to recover premiums paid for deceased enrollees from the health insurance provider.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

Beginning in or about February 2018, the College contacted the insurance broker for the retiree health insurance carrier to review deceased retiree accounts. Refund requests for deceased retirees' premiums were made by College Officials and credits were provided by the carrier. Moreover, since February 2018, College Officials have timely notified the carrier and sought appropriate adjustments for premiums for deceased retirees.

College Officials intend to contract with an outside vendor for billing services beginning in January 2019 to prevent future instances of premium payment for deceased retirees. The vendor will send monthly invoices to retirees and will provide reports to College Officials as to past due accounts. The vendor will send late notices to retirees with overdue balances and will notify College officials of further action needed on delinquent accounts in conformance with the Board policy adopted May 2018 attached herewith (Appendix A).

Audit Recommendation #3 continued:

Implementation Date:

This component was addressed by College officials beginning in or about February 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services

4. **Audit Recommendation:**

Officials should establish procedures to ensure adequate segregation of duties within the payroll process.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

At the time of the OSC audit, the College HR/Payroll department was undergoing a transition in staffing due to the resignation of personnel and appropriate attention to segregation of duties within the payroll process was not being achieved.

In May 2018, an additional staff person was hired with responsibility for the bi-weekly processing of payroll including the review of timesheets, the calculation of special pays, the review of the payroll audit reports, the printing of payroll checks, and the tracking of employee paid time off accruals. The Payroll Manager has been reviewing the work of the subordinate staff person achieving segregation of duties within the payroll process.

Implementation Date:

This component was addressed by the College Officials in or about May 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services

5. **Audit Recommendation:**

Officials should revise financial application user access rights to ensure that payroll personnel responsible for the preparation and processing of payroll do not have access to make employee pay rate changes.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

In or about April 2018, the Vice President for Administrative Services conducted a review of application user access rights and with assistance from the College's Office of Information Technology effectuated changes in those rights to ensure that payroll personnel responsible for the preparation and processing of payroll do not have access to make employee rate changes.

Audit Recommendation #5 continued:

Implementation Date:

This component was addressed in or about April 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services

6. **Audit Recommendation:**

Officials should ensure that the President or Vice President for Administrative Services review the payroll registers following the Board-established payroll certification requirements.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

Board policy exists concerning the certification of payroll registers. Since September 2018 the Vice President for Administrative Services or President has certified the payroll registers including supplemental registers generated by the processing of checks that are not issued during the normal payroll run.

Implementation Date:

These components became effective in or about September 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services

7. **Audit Recommendation:**

Officials should review check logs to ensure that no checks are issued outside of designated pay periods without documented supervisory approval and certification.

College Response: We agree with this recommendation.

Implementation Plan of Action(s):

Beginning in or about September 2018, a process requiring documented supervisory approval on checks issued outside of designated period was implemented by College Officials. Moreover, as set forth in response to Audit Recommendation 6, the Vice President for Administrative Services or President certify all payrolls including those outside of the designated payroll period. The log of checks issued is reviewed as part of the certification process to ensure that no checks are issued outside of designated pay periods without documented approval.

Audit Recommendation #7 continued:

Implementation Date:

This component was fully implemented by the College beginning in or about September 2018.

Person Responsible for Implementation:

President; Vice President for Administrative Services

Signed:

Dr. Alan P. Roberts
President

10/12/18
Date

Appendix A

SUNY Ulster Board of Trustees Title: Retiree Health Insurance Policy	Agenda Item: 2.c.9.
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Resolution:

WHEREAS, New York State Education Regulations §602.14 state that, subject to appropriate Federal, State and local laws and regulations, policies and practices relating to internal business and financial policies and practices are matters of local College Trustees' determination, and

WHEREAS, each union agreement (CSEA, Faculty Association and OPAP) and by board policy (Management Confidential) provide for health insurance coverage for certain retirees at various retiree premium contributions, and

WHEREAS, a procedure has been developed to record and bill the retiree for their respective share of retiree health insurance premiums (may include medical, dental, vision) , and

WHEREAS, proper enforcement of delinquent retiree health insurance accounts includes policies and procedures that establish collection methods and timeframes to be followed, and

WHEREAS, all retiree health insurance accounts will be reviewed and reconciled no later than the 15th of the following month, and

WHEREAS, any SUNY Ulster retiree with a past due balance will be contacted and an effort made to rectify the past due situation, and

WHEREAS, if the monthly contribution is not made for two monthly cycles, the retiree will receive a certified letter requiring full payment within 2 weeks and notification that the coverage will cease if the balance is not paid, and

WHEREAS, if the account is not brought current at this point, the coverage will be terminated, the past due balance may be referred to a collection agency, and the retiree will not be permitted to participate in the retiree health program, therefore, be it hereby

RESOLVED that any retiree health insurance account with a balance that is ninety days past due may be turned over to an independent, outside collection agency, and be it finally

RESOLVED that any retiree health insurance account with a balance that is ninety days past due will have his/her coverage terminated and will be prohibited from retiree health insurance participation in the future.

Background: This policy addresses past due retiree health insurance accounts and provides a process for billing, collections and/or termination of coverage due to non-payment of premium contributions.

Adopted May 15, 2018

Certified as a true and correct copy by Jennifer A. Zell, Secretary to the Board of Trustees

Submitted by:
Christopher Nguyen
Vice President for Administrative Services
Title

5/15/18
Signature Date

Approved by:
Alan P. Roberts
President
Title

5/17/18
Signature Date

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:

Retiree Health Insurance:

- We interviewed Officials to gain an understanding of the procedures related to retiree health insurance contribution billing.
- We compared the charges in the financial system for October 2017 to HR's records and the health insurance invoices for all retirees listed.
- We reviewed the aging schedule balances for all retirees as of October 31, 2017.
- We compiled a list of all 170 retirees and their dependents listed in the financial system, HR's records and aging schedule and requested their Social Security numbers from HR. For the 160 individuals that they had Social Security numbers for, we compared them to the Social Security Administration Database to determine if any of the individuals were deceased. For the remaining 10 retirees, we manually searched obituaries online.
- We reviewed the accounts of the deceased enrollees to determine if they are still listed on the health insurance invoice and/or HR's records, and if their accounts are still being charged in the financial software.

Payroll:

- We interviewed Officials and employees to gain an understanding of the procedures related to payroll processing.
- We reviewed the College's Board policy manual and Board meeting minutes to gain an understanding of established payroll policies.
- We reviewed all 18 checks issued on dates that were not designated payroll dates during our scope for supervisory approval, supporting documentation and legitimacy.

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 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

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

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

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