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Chappaqua Central School District

**Intensive Review of Employee Health Benefits and Capital Projects
For the year ending June 30, 2019**

Chappaqua Central School District

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TOBIN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, PC

To the Board of Directors
Chappaqua Central School District
Chappaqua, New York

We have performed an intensive review of Employee Health Benefits and an updated intensive review of Capital Projects for the Chappaqua Central School District (the District) as agreed to by the Chappaqua Central School District for the year ending June 30, 2019. The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative and District's contractual agreement.

Our report provides results of attribute testing performed on the selected areas as well as our observations and recommendations for improvement.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the Chappaqua Central School District for their time and assistance during our engagement.

Sincerely,

Tobin & Company
Certified Public Accountants, PC

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Certified Public Accountants, PC
February 15, 2019

At the request of the Board of Education of the Chappaqua Central School District ("the District"), we performed an Intensive Review of Benefits and Capital Projects.

Our review of employee health benefit billing consisted of the following:

- 1) Detailed interviews of District personnel and documentation of these interviews through internal audit industry accepted checklists.
- 2) Reviewed a sample of payroll deductions for active employees and insurance reimbursements for retired Medicare-eligible enrollees.
- 3) Compared insurance provider invoice of enrollees to District records to ensure the District is not paying for any enrollees that should not have District benefits.
- 4) Compared contractual contribution percentages of each bargaining unit to District employees to ensure the correct amounts are being deducted from payroll (current employees) or billed/paid (retired employees), based on three coverage tiers.
- 5) Sampled and compared recently resigned and terminated employees and non-retirees to vendor invoices to ensure the District is not paying for former employee's coverage.
- 6) Crossed referenced, through Google and internet searches, retirees over the age of 75 years old with District records to ensure the District was not providing benefits to or paying premiums for deceased enrollees.

Our intensive update of Capital Projects consisted of the following:

- 1) We performed an update to our previous Capital Projects review.
- 2) Detailed interviews with key employees relating to the processes for Capital Projects.
- 3) Review of vendor invoices, payments, contracts, and change orders.
- 4) Review of monthly claims reports.

Key personnel interviewed during our review were as follows:

John Chow, *Assistant Superintendent for Business*

Blanche Blair, *Assistant Business Manager/District Treasurer*

Jackie Silipigni, *Benefits Assistant*

Suzann Schriro, *Payroll Clerk*

Alex Djordjevic, *Accountant*

Claire A. DeBlasio, *Liaison at Kaeyer, Garment, & Davidson*

Chris Weir, *Claims Auditor*

Joseph Gramando, *Director of Facilities*

Benefits Summary

The District offers health insurance to its eligible employees and retirees through a consortium with Putnam Northern Westchester BOCES, with Aetna as the insurer. Effective July 1, 2018, the District has three tiers of insurance coverage; individual, individual plus 1, and family. Depending on the employee bargaining agreement, employees are required to contribute a percentage towards their coverage. The contribution percentages range from 0% (for no pay retirees) to 21%. At the time of our review, there were approximately 996 subscribers or over 1,900 participants. Current employee contributions are automatically deducted from the first paycheck of each month, and retirees are billed semi-annually. Non-eligible part time employees can receive benefits; however, they must contribute 100% of the health insurance premium. The monthly Aetna bill is approximately \$1.2 million.

In addition, excess major medical and long-term disability benefits are offered through administrator J.J Stanis. Employees pay the full premium for excess major medical. The excess major medical premium is \$3.60 a month for individual employees and \$8.50 a month for families. These payments are deducted from the employee's payroll. Long term disability premiums are \$66.83 a month for Administrators. Administrators do not contribute or pay for their long-term disability. This is funded by the District. The monthly J.J. Stanis bill is approximately \$2,000.

The District's CSEA employees (custodians, cleaners, and maintenance), receive free dental and vision benefits through the CSEA Employee Benefit Fund. The monthly rates are set forth in the bargaining unit's contract. As of the date of this report, dental premiums are \$138.75 per month and vision premiums are \$24.34 per month. The District is billed monthly for each CSEA enrolled employee (approximately 50). Benefits are fully funded by the District and are only applicable for active employees. The monthly CSEA bill is approximately \$8,000.

The District's CCT (Chappaqua Congress of Teachers), COSA (Chappaqua Office Staff Administration), and CAA (Chappaqua Administrators Association) employees receive dental and vision through the CCT Benefit Fund. The monthly rates are set forth in the bargaining unit's contract. Employee contribution rates are either \$0 for an individual, or \$45 for a family. As of the date of this report, the District contributes \$1,490 a year per eligible employee (approximately 525). The quarterly CCTBF bill is approximately \$200,000.

Employee Enrollment, Change, and Contribution

All new hires meet with the Benefits Assistant to discuss benefits offered by the District. The employee must return to the Benefits Assistant a completed signed application and supporting documents for dependent coverage (e.g. social security card, birth, and marriage certificates). Employees can only add or change coverage during the open enrollment period. However, if the employee has a life changing event, he/she can change coverage at any time during the year. The employee must notify the Benefits Assistant and provide supporting documentation in order to add a child dependent or spouse. The Benefits Assistant is the employee responsible for adding, changing and deleting enrollees to/from the plan. Generally, when a dependent reaches the age of 26, they are no longer eligible for the District's Aetna plan.

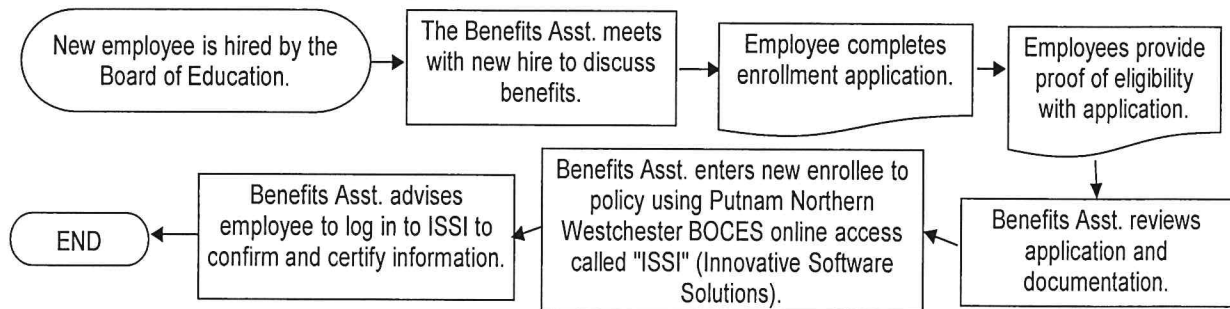
Chappaqua Central School District

Reviewed Area-Benefits

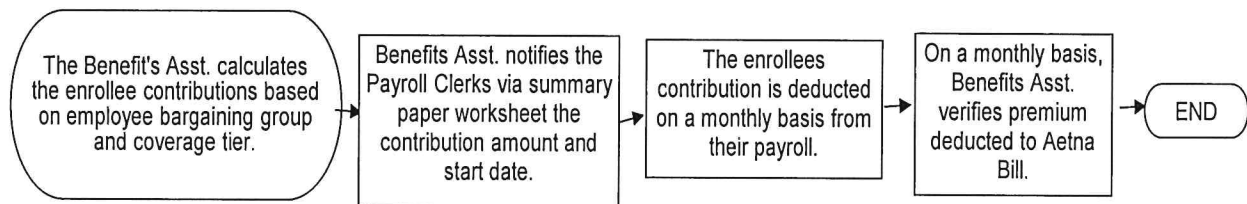
The Payroll Clerk is notified by the Benefits Assistant of an enrollee coverage change and start date via paper summary documents. The Benefits Assistant calculates the required contribution amount based on the employee's respective contract stipulations and current premium rate and forwards to Payroll. The Payroll Clerk enters the monthly premium tier into nVision for automatic withdrawal from the employee's paycheck. Monthly payroll health premiums are approximately \$138,000.

When a dependent is aged out of health coverage, the District gets notified by the BOCES consortium. The BOCES consortium automatically removes the dependent from coverage. The Benefits Assistant then notifies the Payroll Department who then makes any changes to the payroll deductions as needed.

The Process for enrolling an employee is as follows:



The process for enrollee contributions for insurance premiums through Aetna is as follows:



Tests Results

- We reviewed all of the District's current employees (full and part time) who were receiving health benefits to determine whether they met the contractual minimum eligibility. We determined that they all did.
- We selected a random sample of recent employee enrollment changes from the Benefit Assistant's records to ensure proper documentation was provided. We noted no exceptions.
- To ensure active employees who are receiving benefits (approximately 475 at the time of our review) are contributing the correct amount towards the benefit coverage we recalculated the payroll contribution portions of 30 enrollees, based on their contracts and current insurance invoice, and compared it to the deductions of a recent payroll register. While we noted no current calculation errors, of the 30 employees tested, we noted 1 instance where there was a 4-month lag between employee tier change date to notification to payroll.

Observations and Recommendations:

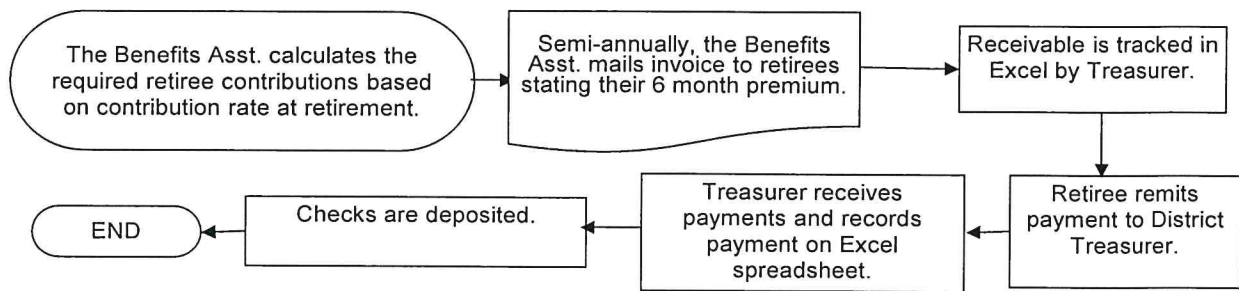
- 1) Observation: Changes to an employee's status and adjusted contribution rates are communicated from Benefits to Payroll through handwritten change forms.
Recommendation: In an effort to improve efficiency, it may be beneficial if the District creates a shared spreadsheet to track these changes to make sure they are all accounted for and updated. As items are addressed Payroll should initial the shared spreadsheet to indicate completion. This will allow both Payroll and the Benefits Assistant to easily view outstanding and completed tasks.
Management's Response: The recommendation is accepted. The District will create a form for both the Benefits Assistant and Payroll to sign off on any changes to benefits.
- 2) Observation: Changes to an employee's coverage tier is reviewed on a quarterly basis. As a result, there are instances where there are delays between the date of an employee's requested status change to notification to payroll to adjust their rates accordingly.
Recommendation: To help ensure changes are timely and accurate, a review of an employee's status change should be performed on a monthly basis. The District may want to consider cross training a Human Resources Clerk to assist Benefits with this function.
Management's Response: We believe the new procedures that will be enacted through #1 above will eliminate the delay or lag time.
- 3) Observation: Putnam/Northern Westchester BOCES consortium will generally notify the District of a change in an employee's status/tier such as an addition/removal of a dependent. The District relies on this information or notification from the employee themselves or an associated party of such changes.
Recommendation: To improve timeliness, efficiency, and accuracy of deduction/billing amounts, the District should maintain, update, and review, an internal database of all enrollee's dependents by age. On a monthly basis, this should be reviewed to determine if a dependent is approaching the cutoff age of 26. This will allow the District to plan accordingly and adjust billing/deductions as needed.
Management's Response: District is currently using the Consortium database. There is no reason why there should be two databases. However, the District will review the status of those that are aging out on an annual basis and record the age out date by month and track that.

Retiree Billing

Retirees are also eligible to receive benefits. They are required to contribute the premium percentage applicable in their contract at the time of their retirement. Prior to 2018, the general requirement was for an employee to have 5 years vested within the District prior to retirement in order to receive benefits (except for administrators). Starting in July 2018, the vesting requirements were changed to either 10 or 15 years depending on the retiree's bargaining unit. Generally, once an employee retires, they are only eligible for benefits through Aetna. Approximately 366 retirees were billed by the District in December 2018. The total receivable was approximately \$191,000. The process for retiree billing for Aetna insurance coverage is as follows:

Chappaqua Central School District

Reviewed Area-Benefits



Test Results

We reviewed District records to determine if retiree enrollees are contributing the correct portion towards the premium and to determine if they were eligible to receive benefits.

- We noted two retired employees whom according to District records only had 4 and 2.5 years vested with the District. These former employees are receiving benefits while only contributing 5%. The 5% contribution rate is accurate based on when they retired, however at the time of each's retirement, there was a minimum 5-year vesting requirement.

Eligibility, Resignation, Termination

Once an employee retires, resigns, or is terminated, they are no longer eligible for benefits through JJ Stanis (long term disability and major medical), the CCT Benefit Fund, or the CSEA Benefit Plan (dental and vision benefits).

Test Results

We reviewed District records of non-active employees receiving District benefits through JJ Stanis, and both the CCT and CSEA Employee Benefit Fund. We reviewed the associated vendor invoices to determine if employees were still active within the District. Below is a summary of our findings:

- We noted three employees that resigned in August 2017 but were still included on the District's JJ Stanis invoice through April 2018. The District was over-charged by approximately \$153 for excess major medical in total for these three employees. JJ Stanis has since been notified of these employee's resignations and are no longer billing the District for their coverage.
- We noted one Administrator that resigned in August 2017 but was still included on the District's JJ Stanis invoice through April 2018. The District was being charged for long term disability even though this employee was no longer employed by the District. The total amount overcharged was approximately \$400. JJ Stanis has since been notified of these employee's resignations and are no longer billing the District for their coverage.
- We reviewed the October 2018 CSEA Employee Benefit invoice. We noted 7 out of 53 enrollees who were no longer employed by the District. The plan credits the District for up to 6 months for employees no longer active but still included on the invoice. However, of the 7 noted, 3 employees were outside the 6-month range. The CSEA Benefit Plan has since been notified of these employee's leave and are no longer billing for their coverage.

Observation and Recommendation:

- 1) Observation: We noted instances where the District was paying benefits (i.e.: emergency medical, long term disability, CSEA dental/vision) for former employees who were no longer with the District.

Recommendation: On a monthly basis, these invoices should be reviewed by Human Resources to help ensure the District is only being billed for active employees.

Management's Response: The recommendation is accepted. Both the Human Resources and the Business Office will review the invoices since one department is responsible for the Certified Staff and one is responsible for the Classified Staff.

Medicare Reimbursement

The District reimburses Medicare eligible retirees and their spouses (if a primary on the District's plan) for the standard Part B Medicare premiums that are deducted from their Social Security benefits. Reimbursements are for six months and done twice a year; once in June and the other in December. Effective December 31, 2018, the District only reimburses that retiree's standard amount per month if the retiree provides proper backup from Social Security. If no backup is provided, only the floor amount is reimbursed. The reimbursement amount ranges from \$109 to \$134 per month. At the time of our review, approximately 320 retirees were eligible. The District's December 2018 total Medicare Part B standard reimbursement equated to approximately \$320,000.

Test Results

- We reviewed and sampled employees receiving Medicare reimbursements and verified their ages and amounts paid. We found no exceptions.

Deceased Retirees

We cross referenced, through Google and internet searches, retirees over the age of 75 with District records to ensure the District was not providing benefits to or paying premiums for deceased enrollees. We noted no exceptions.

Chappaqua Central School District

Reviewed Area-Capital Projects

Capital Projects Review

Vendor Payments

As part of our updated review, we sampled various payment applications for the Horace Greeley Education Project associated with the \$42.5 million bond. The project recently started and is budgeted to account for \$20,767,000, or about 49% of the total bond.

At the time of our review, the District had disbursed \$7,526,518 to various vendors related to this project. We tested \$4,453,323, or 59% of that amount. We reviewed for the following attributes:

- a. Application for payment is signed by the Contractor and Architect.
- b. Check amount matches the application for payment.
- c. Recalculate retainage for accuracy.
- d. The payment packet was reviewed and approved by the Claims Auditor.
- e. Release of liens was received before final payments.
- f. Final inspections were performed before final payments.

Test Results

- 1) We noted one instance where the total amount on an Application for Payment form to contractor Laura Li did not agree to the amount we recalculated. The District underpaid this vendor by approximately \$7,600 due to a vendor invoicing error.
- 2) We noted signature approvals on all tested Application for Payment (AIA) forms.

Review of Claims Auditor's Reports

In addition, we also reviewed 5 prior reports from the District Claims Auditor as they refer to Capital Projects. Upon review of the reports, we noted various exceptions dealing with billing and payment inaccuracies relating to District Capital Projects.

The most common exception noted by the Claims Auditor was differences between calculated amounts on the vendor's Application for Payment form and the payment amount by the District. In all instances, the Claims Auditor caught the error, and checks were voided and ultimately reissued for the correct amount.

Observations and Recommendations:

- 1) Observation: The Claims Auditor noted instances where payment was requested for claims with incorrect payment amounts.
Recommendation: The Accountant and Director of Facilities should continue to thoroughly monitor and review each claim to ensure accuracy and correct payment amounts in accordance with contracts and Applications for Payment.
Management's Response: The Accountant and the Director of Facilities will continue to thoroughly review each claim before signing off for payment.

Chappaqua Central School District

Reviewed Area-Capital Projects

Change Orders

The change order process has remained the same since our last review. The District authorizes the Superintendent to approve any capital project change order up to \$40,000. Anything over must have Board approval.

As part of our engagement, we reviewed 13 change orders associated with the Horace Greeley Education Project. We reviewed change orders for selected projects for the following attributes:

- i. Signed by the Construction Manager, Architect, Vendor, and the Assistant Superintendent.
- ii. Includes a description of the change.
- iii. Superintendent approval if up to \$40,000.
- iv. Documentation of Board resolution approving the change if over \$40,000.
- v. Certification form signed by the Superintendent of Schools.

Test Results

- All change orders reviewed had appropriate backup.
- All change orders reviewed had appropriate approvals in accordance with District policy.

At the time of our review, the District was in the process of reviewing 8 changes orders relating to the Horace Greeley Field C Project. Because these projects are ongoing, we stress that the District continue to monitor carefully.

Interaction with District Architect KG&D

As part of our engagement, we contacted the District Architect, KG&D, and reviewed current process and procedures over capital projects. The Architect continues to work closely with and provide support to the District on projects related to the \$42.5 million bond.