



a community for learning

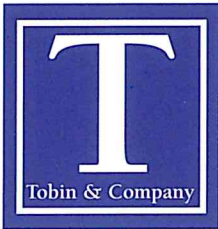
Chappaqua Central School District

**Intensive Review of Employee Health Benefits
Covering the State mandate for the year ending June 30, 2016**

Chappaqua Central School District

Table of Contents

Cover Letter	1
Overview	2
Findings and Recommendations	3-5
Results of Attribute Testing	6
Summary	7



TOBIN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, PC

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

We have performed an intensive review in the area of Employee Health Benefits for the Chappaqua Central School District (the District). The purpose of this engagement is to ensure compliance with applicable New York State laws and regulations under the Fiscal Accountability Initiative for the fiscal year ended June 30, 2016.

Our report provides results of attribute testing performed on the selected area. In addition, our report indicates any areas for which we believe improvements can be made to existing processes and internal controls.

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
Purchase, New York
November 16, 2015

At the request of the Board of Education of the Chappaqua Central School District ("the District"), we performed a Risk Assessment of various District business procedures and activities. Using our Risk Assessment report (dated August 31, 2015), the Board of Education engaged our firm to perform an intensive review of Employee Health Benefits.

Our intensive review of Employee Health Benefits consisted of the following:

- 1) Detailed interviews of District personnel and documentation of these interviews through internal audit industry accepted checklists.
- 2) Reviewed dates of birth for selected dependents of enrollees to determine whether they are eligible for coverage.
- 3) Reviewed a sample of payroll deductions and insurance reimbursements for enrollees.
- 4) Compared insurance provider invoice of enrollees to District records to ensure the District is not paying for any enrollees that should no longer have coverage.
- 5) Reviewed all employees receiving buyouts to determine if they are receiving the correct level of buyout, and to ensure that they are not receiving both the buyout and coverage under the District's insurance.
- 6) Crossed referenced retirees over the age of 75 with District records to ensure the District was not paying for deceased enrollees.

Key personnel interviewed during our review were as follows:

John Chow, *Assistant Superintendent for Business*

Blanche Blair, *Assistant Business Manager/District Treasurer*

Vincent Savino, *Health Benefits*

Suzann Schriro, *Payroll Clerk*

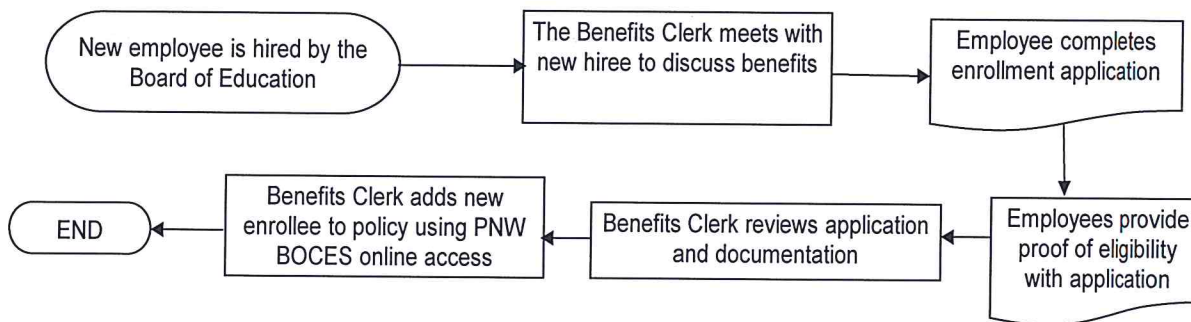
Margaret Ryan, *Payroll Clerk*

Summary

The District offers health insurance to its eligible employees and retirees through a consortium with Northern Westchester BOCES, with Aetna as the primary insurer. As of the date of this report, the District had approximately 874 enrollees covered. The District has two levels of insurance coverage; individual and family. Depending on the employee bargaining agreement, employees are required to contribute a percentage towards their coverage. The amount they contribute ranges from 11% to 18.25% of the premium for employees and 0% to 18.25% depending on the time of retirement. Employee contributions are automatically deducted from the first paycheck of each month, and retirees are billed semi-annually. The District previously allowed enrollees to opt out of coverage and receive a buyout. Beginning in 2010, employees of the District can no longer elect to take a buyout for health insurance.

Employee Enrollment

The process for enrolling new employees is as follows:



Documentation Deficiencies

Observations and Recommendations

- 1) Observation: The Benefits Clerk is reconciling the number of enrollees and level of coverage from the invoice to the payroll deductions records.

Recommendation: Although no exceptions were found, the Benefits Clerk should consider comparing the District's records of enrollee insurance cost to the monthly health invoice.

Management Response: The Benefits Clerk will compare District's records of enrollee insurance cost from the payroll deductions record to monthly health invoice provided by Putnam/Northern Westchester in Excel format.

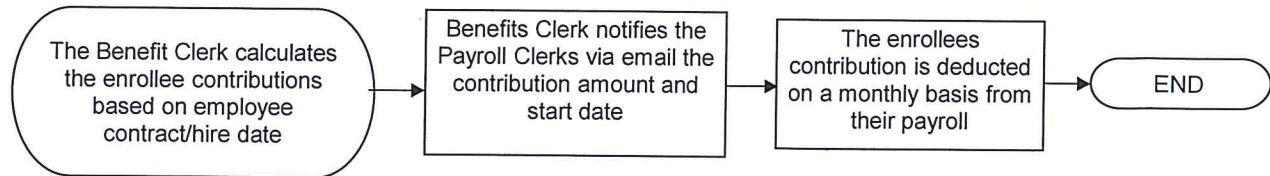
Security Deficiencies

None Noted.

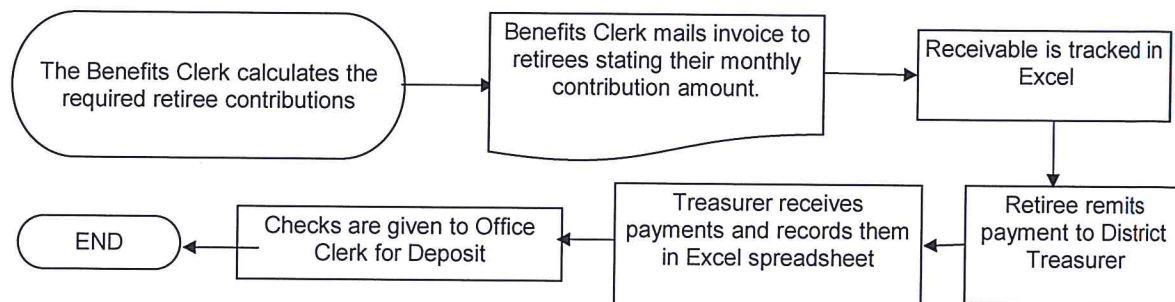
Enrollee Contributions and Retiree Billing

The process for enrollee contributions and retiree billing for insurance coverage is as follows:

Enrollee Contribution



Retiree/COBRA Contribution



Documentation Deficiencies

Observations and Recommendations

- 1) Observation: District billing for Retiree and COBRA benefits are done manually through letters generated in Microsoft Word by the Benefits Clerk. The checks are received by the Treasurer and she then manually tracks collections and receivables in Excel. While this procedure is common in many school districts, it limits the capability to generate reports on billing, collections and balances due from enrollees for health benefits. In addition, this procedure heavily relies on the Treasurer to ensure all payments are received in full and timely.

Recommendation: If feasible, billing for benefits should be generated through Finance Manager in order to more easily and accurately track receipts and outstanding balances due.

Management Response: Although retiree's billing is easily prepared in Excel by the Benefits Clerk and accurately tracked and verified by the Treasurer and Benefits Clerk, we will explore using Finance Manager to generate bills. We plan to approach the BOCES Regional Information Center (RIC) to help adapt Finance Manager for this purpose and visit school districts that use Finance Manager for same.

Security Deficiencies

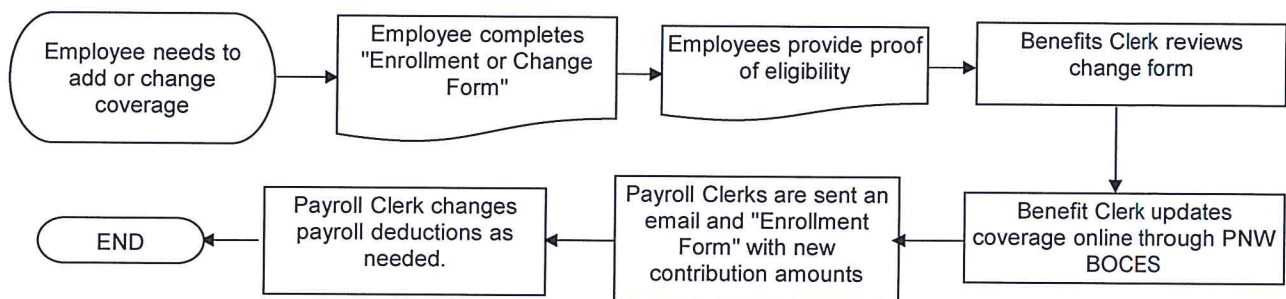
None Noted.

Enrollee Coverage

Employees can add or change coverage during open enrollment in November for an effective date of January 1st. If the employee has a life changing event, he/she can change coverage at any time during the year. In order to add a dependent or spouse the employee must complete the Enrollment or Change Form and provide proper supporting documentation (e.g. birth and marriage certificates).

An employee can elect to opt out of coverage at anytime during the year. Employees must fill out the Enrollment or Change Form to terminate coverage.

When a dependent is aged out of health coverage the District gets notified by BOCES. BOCES automatically removes the dependent from coverage. The Payroll Clerk then notifies the employee and makes any changes to the payroll deductions as needed.



When an employee retires, Human Resources and the Business Office send out e-mails indicating an employee is retiring. The Board of Directors confirm retirement. The Benefits Clerk calculates each retiree's semiannual insurance contribution based on their contract. He then shares the new rates with the Treasurer. The Treasurer prepares a spreadsheet to track contribution amounts. The Benefits Clerk mails invoice to retirees. Payments received are tracked by the Treasurer and reviewed by Benefits Clerk on a shared drive. The Benefits Clerks monitors the payments and re-bills if necessary. Payments are given to the Office Clerk for deposit.

The Benefits Clerk sends a letter to the retirees at least once a year to those billed and twice a year for retirees not required to pay to verify that all insurance information is current.

Observations and Recommendations

None Noted.

Documentation Deficiencies

None Noted.

Security Deficiencies

None Noted.

Results of Attribute Testing

Results of Attribute Testing

Are enrollees employed by the District?

During our review of enrollee coverage, we reviewed the payroll register and compared the employees listed to the AETNA roster to ensure the employees are currently employed by the District. No exceptions were noted.

Are retiree enrollees contributing the correct portion towards the premium?

Depending on the contract, retirees may be required to contribute towards the benefit premium. To ensure that retirees are either properly exempt or are paying their portion of the premium we reviewed a sample of files and confirmed their position title, years of service, and contribution amount (if required). No exceptions were noted.

Are active enrollees contributing the correct portion towards the premium?

To ensure active enrollees are contributing the correct amount towards the benefit coverage we recalculated the contribution portions, based on the contract and current insurance invoice, and compared it to the last payroll deduction. Our sample consisted of 43 enrollees. No exceptions were noted.

Are employees receiving the correct benefit buyout?

During our review of buyouts, we tested 43% of employees and compared the buyout amounts to the contract amount to determine if they were receiving the correct buyout amount. We did not note any exceptions during this test.

Are COBRA enrollees contributing the correct portion towards the premium

We selected 30% of COBRA and Buy-In enrollees to ensure the correct amount was contributed and to ensure that enrollees were paying their monthly premium. No exceptions were noted.

Test of collection of retiree contributions

We sampled 28 retirees who are required to contribute towards their health benefits, to ensure the District is receiving payment. Of the 28 sampled every retiree is current with their premium contribution.

Test of deceased enrollees

We sampled 100% of retirees over the age of 90 and 95% of retirees who are between 75 and 89 years old to ensure they weren't deceased. No exceptions were noted.

Test of proof submitted by district employee spouse and dependents for insurance coverage.

We selected a sample of 25 employees to ensure that a marriage certificate and birth certificate were present (where applicable for dependents) in the employee file. No exceptions were noted.

Test of dependent eligibility

We sampled 100% of dependents enrolled in health coverage to ensure that dependents were eligible. No exceptions were noted.

Considering the amount of enrollees and the different employee contracts the District has, our tests did not yield any material findings. As discussed earlier in this report, we feel that there is however, room for improvement with internal controls and procedures that can further reduce the risk of error or misappropriation in this area.

We encourage the Board of Education and Administrators of the Chappaqua Central School District to contact us at any time for our guidance on how to implement these recommendations, as well as any other controls they wish to put in place.