



Syosset Central School District

**Report on the Internal Controls of the
Benefits Cycle**

April 2026

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Functional Area Exhibit (please see attached)

A. Narrative of Functional Area Procedures – Exhibit A

I. Scope of Engagement

The Board of Education of the Syosset Central School District (the “District”) has engaged Nawrocki Smith LLP to provide internal audit services with respect to the District’s policies, procedures, and internal controls pertaining to the benefits cycle. As part of this engagement, we performed extensive analysis and validation tests within the District’s benefits cycle.

The objective of our audit was to determine if the internal controls over benefits processing are adequate, to ensure that benefits provided are accurate and legitimate expenses of the District, that benefits are provided in accordance with employee contracts, and changes in benefits are properly monitored and reported. In order to verify that the benefits area has proper internal controls, we interviewed key personnel and tested various transactions to ensure the key controls within these areas are operating effectively.

Our analysis within each functional area consisted of the following:

- Documented functional area policies and procedures applicable to the benefits cycle after interviews and discussions with key employees.

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- Identified key controls within each functional area of the benefits cycle and performed audit tests of those controls.
- Made observations and recommendations pertaining to the internal controls of the benefits cycle based upon observed procedures and testing that was performed.

Interviews and inquiries were conducted with the following District employees:

Title	Department
Assistant Superintendent for Human Resources	Human Resources Department
Administrative Assistant	Human Resources Department
Senior Personnel Clerk	Human Resources Department

II. Eligibility and Enrollment

The District offers benefits coverage to eligible employees and retirees as per bargaining unit agreements or individual employment contracts. The Administrative Assistant is responsible for enrolling eligible employees and maintaining all completed enrollment forms. The Administrative Assistant also reconciles transactions on the provider listings for health insurance, life insurance and disability insurance to supporting documentation each month to ensure all additions, terminations, or changes are accurately reflected on the invoices. The Senior Personnel Clerk reconciles the provider listings for dental insurance to supporting documentation each month to ensure all additions, terminations, or changes are accurately reflected on the invoices.

We selected twenty-five (25) active employees receiving benefits to ensure that:

- Employees are eligible as per bargaining unit agreements or individual contracts.
- Completed benefit enrollment forms are on file at the District.
- Provider listings properly reflect the coverage selection for enrolled employees.
- Employees enrolled in family coverage have proper supporting documentation.

Observation

We noted that the twenty-five (25) employees selected for testing were in compliance with the objectives noted above.

➤ *No recommendation at this time.*

III. Payroll Deductions

Employees of the District contribute to the cost of certain benefits which is predetermined by bargaining unit agreements or individual employment contracts. The cost to the employee is submitted to the District by way of payroll deductions.

We also reviewed the twenty-five employees (25) selected above for enrollment testing to ensure that:

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- Employee payroll deductions are in compliance with contract terms.
- Employee payroll deductions are properly calculated and mathematically accurate.
- The coverage selection in the accounting software, WinCap, utilized to calculate payroll deductions agrees to enrollment forms and provider invoices.

Observation

We noted that the payroll deductions for the twenty-five (25) employees selected for testing were in compliance with the objectives noted above.

➤ *No recommendation at this time.*

IV. Qualifying Life Events

Qualifying life events are defined as marriage, birth or adoption of a child, legal separation, divorce, or death of a spouse or dependent. Documentation for qualifying life events is required to be provided to the District before insurance benefit changes can be made.

We selected fifteen (15) changes in coverage during the 2025/2026 school years to determine if proper supporting documentation was obtained and the change was accurately reported on the provider invoice.

Observation

We noted that supporting documentation was on file to support the fifteen (15) changes in coverage and the change was properly reflected on the provider invoice.

➤ *No recommendation at this time.*

V. Medical Buyback

Employees covered under certain bargaining unit agreements have the option of waiving health insurance coverage and receiving an buyback payment. The buyback payment, as defined in the bargaining unit agreement, is paid once each year. Employees may waive individual or family coverage.

We selected twenty-five (25) employees receiving buyback payment for the 2024-2025 school year to ensure that:

- The employee was eligible to receive a buyback payment.
- The buyback amount in compliance with the bargaining unit agreement.
- The employee is not on the provider listing for the coverage being waived.
- The buyback payment was reviewed by the Business Administrator.
- Proof of other insurance and/or family coverage is maintained.

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Observation and Recommendation #1

We noted that individuals who switch from family to individual health insurance coverage receive a buyback payment. However, bargaining unit contracts do not include language regarding a buyback payment for a switch from family to individual coverage

- *We recommend that the District document the past practice of providing buyback payments to employees who switch from family to individual health insurance coverage. This procedure should be incorporated into bargaining unit contracts or documented in a memorandum of agreement. This will ensure that all buyback eligibility is properly documented and included in bargaining unit agreements.*

VI. Termination and COBRA

When an employee resigns, retires, or is terminated from the District, the Administrative Assistant informs the provider and removes the employee from benefit coverage or recodes them if they are eligible to receive benefits into retirement or enroll in COBRA. An employee may continue coverage under COBRA for up to eighteen (18) months or thirty-six (36) months as a result of certain qualifying life events. However, it is up to the employee to enroll in COBRA within a certain time frame.

We selected fifteen (15) individuals that resigned, retired, or were terminated during the 2025-2026 school year or at the end of the 2024-2025 school year to determine if:

- Employees were removed from provider invoices or recoded on provider invoices timely
- There was a properly completed *Continuation of Coverage* enrollment form on file, if applicable
- The amount billed and received for COBRA is accurate and payments are received timely, if applicable
- The employees are coded accurately on the provider invoice, if applicable

Observation

We noted that terminated employees were removed from provider invoices timely. It should be noted that no employees within our sample elected to continue coverage through COBRA.

- *No recommendation at this time.*

VII. Retiree Insurance

Certain retirees of the District are eligible for health insurance benefits into retirement at a contribution rate determined by applicable bargaining unit agreements or individual employment contracts. Retirees are billed for their portion of health insurance premiums by the District or pay via pension deductions.

We selected fifteen (15) retirees from the most recent provider invoice to ensure that:

- The retiree met any eligibility requirements as stated in the bargaining unit agreement or individual employment contract.

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- The retiree's contribution was calculated accurately in accordance with the rate stated in the bargaining unit agreement or individual employment contract.
- Retiree payments were current as of our date of fieldwork.
- Retirees are properly coded on provider invoices.

Observation

The fifteen (15) retirees selected for testing were in compliance with the objectives.

➤ *No recommendation at this time.*

VIII. Medicare Reimbursement

The District reimburses Medicare Part B costs to retirees of the District on an annual basis. Retirees and their dependents need to have Medicare A and B in place at age sixty-five (65) to maintain benefits or receive Medicare Part B reimbursements. The Senior Personnel Clerk obtains supporting documentation from the retirees and calculates the payments.

We selected twenty-five (25) retirees from the most recent Medicare reimbursement payment made on June 11, 2025 to ensure that:

- The retiree was eligible for Medicare reimbursement during the reimbursement time period.
- The reimbursement amount was mathematically accurate.
- A properly completed affidavit stating the retiree and spouse, if applicable, did not receive reimbursement from another source was received by the District.

Observation

We noted the twenty-five (25) Medicare reimbursement payments selected for testing were in compliance with the objectives noted above.

➤ *No recommendation at this time.*

IX. Affordable Care Act

In accordance with the IRS and Treasury regulations, employers, including school districts, employing at least 50 full-time employees are subject to the Employer Shared Responsibility provisions under section 4980H of the Internal Revenue Code (added to the Code by the Affordable Care Act) effective January 1, 2015.

The District contracts with a consulting firm to perform an analysis of the District's compliance with the Patient Protection and Affordable Care Act. In addition, the consulting firm is responsible for processing and mailing Form 1095-C to employees receiving health insurance benefits.

We selected a sample of twenty-five (25) employees to verify that the 1095-C prepared by the consulting firm for 2025 correctly reflected the coverage period for the employee.

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Observation

The coverage period for all twenty-five (25) employees selected for testing was accurately reported on the 1095-C issued by the consulting firm. In addition, the Administrative Assistant and Payroll Supervisor both review the list of employees receiving Form 1095-C prior to the consulting firm processing and mailing the forms.

➤ *No recommendation at this time.*

X. Risk Rating and Audit Opinion

Inherent Risk: High
Control Risk: Low
Audit Opinion: Satisfactory

RISK RATING DEFINITIONS

Inherent Risk – Inherent risk is the risk of a material misstatement in the un-audited information assuming the absence of internal control procedures. Inherent risk includes any risk arising from fraud. As with other risks, inherent risk may be evaluated at various levels of aggregation (e.g. financial statement level, account balance assertion level) and at various stages during the course of the audit (e.g. client acceptance/retention state, audit planning stage, etc.).

***Inherent Risk** is particular to the area being reviewed if there were no controls in place. Thus, if there were no control procedures in place pertaining to the particular area, what is the risk of a material misstatement.*

Control Risk – Control risk is the risk that a material misstatement in the un-audited information will not be detected and corrected by management’s internal control procedures on a timely basis. Auditors evaluate control risk at the account balance assertion level based on a detailed knowledge of the client’s business. Auditors may evaluate this risk in the second, third, and fourth audit stages, namely the audit planning, control testing, and substantive testing stages.

***Control Risk** is particular to the District’s controls currently in place in the area being reviewed. Thus, what is the risk of a material misstatement with the control procedures currently in place.*

Audit Opinion – Based upon the audit work performed and our assessment of the controls within each particular audit area an audit opinion is provided for each audit area from one of the following three (3) categories:

Satisfactory: Controls are operating effectively

Needs Improvement: Controls need improvement for effectiveness

Unsatisfactory: Controls are unacceptable and need immediate improvement

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Narrative of the Benefits Cycle – Exhibit A
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The following is a narrative, or a sequence of events, which describes the process within the benefits function of the Syosset Central School District. The narrative was derived from discussions and interviews with key personnel as well as observations of the process. The benefits function has been broken down by area for ease of reference. This function includes the following areas:

- I.** General
- II.** Eligibility
- III.** Enrollment
- IV.** Medical Buyback
- V.** Termination
- VI.** Retiree Benefits
- VII.** Medicare Reimbursements

(Blue) = Key Control

I. General

- The District provides various benefits to eligible staff members in accordance with their respective bargaining unit agreements or individual employment contracts.
- The Teachers, CSEA, Therapists, Nurses, and Administrators contracts provide for health, dental, long term disability, and life insurance. Teachers, Nurses, and CSEA employees are offered vision insurance through their respective Unions.
- Health insurance is offered through the New York State Health Insurance Program (“NYSHIP”) and Health Insurance Plan of Greater New York (“HIP”).
- Permanent substitute teachers are offered a low cost HIP plan and tutors are offered regular HIP coverage at full cost.
- Dental coverage is self insured through Ameritas.
- Long term disability and life insurance benefits for employees are offered through JJ Stanis.
- Additional JJ Stanis benefits including vision, hospitalization, accident coverage, and critical care coverage are offered to central office employees and building administrators.

II. Eligibility

- Active full time employees are offered health insurance, dental, vision, life, and long term disability insurance in accordance with the employee’s applicable collective bargaining or individual agreement.
- Employee contribution rates for each benefit are also specified in the collective bargaining agreement.
- New employees receive an information packet from the Human Resources Department that includes information on benefits and enrollment forms.
- The Administrative Assistant emails all eligible employees the benefits information, enrollment forms, and instructions for completion and return of the forms and required supporting documentation.
- The Senior Personnel Clerk meets with new civil service employees to review benefit coverage options, enrollment forms, and required supporting documentation.
- The Administrative Assistant collects any enrollment forms and supporting documentation from the new employee and creates a folder.

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III. Enrollment

- The employee must complete an enrollment form or waiver form for each benefit.
- The Administrative Assistant retains all completed enrollment forms or declinations, along with any other relevant information in the employee's benefits folder.
- All new employees are entered into the benefits module of WinCap. The information entered includes the type of benefit, coverage selection, employee contribution percentage, and employee's bargaining unit contract.
- Employees electing NYSHIP health insurance are entered into the "hire" module of the New York Benefits Eligibility and Accounting System ("NYBEAS") online by the Administrative Assistant. This module is used to track the employee's years of benefits eligibility for vesting purposes.
- Enrollment for HIP health insurance and Ameritas dental is completed via an online portal. The Administrative Assistant enters the employee's information and coverage selection when enrolling a new employee.
- Enrollment forms for life and disability insurance are scanned and sent to JJ Stanis via a secure messaging platform.
- Benefits coverage begins based on bargaining unit agreement provisions. Generally, coverage starts on the first day of the month following the date of hire.
- The Administrative Assistant calculates the employee benefit deduction based on contribution percentages stated in bargaining unit agreements.
- A spreadsheet is maintained for health insurance coverage that lists the total premiums for NYSHIP and HIP for both family and individual elections.
- Employee contributions are calculated based on the percentages from bargaining unit contracts. Monthly and per pay amounts are noted.
- The spreadsheet is updated when premium rates change.
- [The Administrative Assistant maintains a spreadsheet to document all new hires enrolling in benefits, changes to benefits, and termination of benefits. Any leaves of absence that affect benefit deductions are also included in the spreadsheet.](#)
- The spreadsheet is sent to the Payroll Department every two (2) weeks, prior to payroll processing, to notify the Payroll Department of any benefit related deduction changes.
- The Payroll Department will enter the employee's deductions in WinCap.
- Changes to benefit elections can be made within thirty (30) days of a qualifying life event (i.e. marriage, divorce, birth or adoption of a child, acquisition or loss of a foster child, death of a spouse or dependent, or loss of other coverage).
- [Employees must submit a new enrollment form with applicable supporting documentation \(i.e. marriage certificate, divorce decree, death certificate, proof of loss of other coverage, etc.\) to the Administrative Assistant.](#)
- The Administrative Assistant will notify the provider of the change in the same manner as a new enrollment and retain a copy of all documentation in the benefit folders.

IV. Medical Buyback

- Employees may decline coverage for any benefits, however, employees who waive health benefits are eligible for a medical buyback payment in accordance with employment agreements or bargaining unit contracts.
- Employees may receive a prorated payment if coverage is not waived for the entire year.

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- [Employees who wish to waive health benefits must complete a waiver form on an annual basis and submit proof of other insurance.](#)
- The District utilizes an electronic system, School Source, to facilitate submission of declination forms and supporting documentation.
- The declination form and supporting documentation are required to be completed and uploaded to School Source in the spring so that payments can be processed by the end of the school year.
- Payments are issued annually, for the school year, as per bargaining unit agreements.
- [The Administrative Assistant downloads the declination forms and supporting documentation and maintains an electronic file of all declination forms and supporting documentation by school year.](#)
- The Administrative Assistant maintains a spreadsheet of employee waiver information and buyback calculations. The employee's type of buyback, other insurance, hire date, bargaining unit, number of months on waiver, and calculation for the school year.
- There are columns to document certifications received, proof insurance, and proof of dependents.
- There are notes regarding changes to coverage eligibility.
- [The Administrative Assistant reconciles the buyback information on the spreadsheet to the benefit information in WinCap.](#)
- The Business Administrator reviews the spreadsheet of buyback payments prior to the spreadsheet forwarding to the Payroll Department for processing.
- The Payroll Department creates an additional direct deposit/paycheck for the medical opt out payment.

V. Termination

- A terminated employee may continue coverage under COBRA for up to eighteen (18) months or thirty-six (36) months as a result of certain qualifying life events.
- The Human Resources Department communicates any terminations to the Administrative Assistant.
- The Administrative Assistant mails COBRA information to eligible employees.
- Those employees that chose not to enroll in COBRA are removed from benefits coverage.
- The Administrative Assistant notifies each benefit provider when an employee needs to be removed from benefits coverage or recoded to retiree.
- Employees who enroll in COBRA will send the completed paperwork back to the Administrative Assistant.
- Terminated employees receiving COBRA will appear in a separate section of the monthly invoice.
- There are currently three (3) individuals on COBRA at the District.
- The Administrative Assistant invoices the individuals and the Senior Personnel Clerk receives and processes premium payments received by the District.

VI. Retiree Benefits

- Benefits in retirement are set by the bargaining unit agreements.
- The District only provides health insurance benefits in retirement. Retirees may retain other benefit coverage, but must pay the full premium. Payment is made directly to the provider.
- The Administrative Assistant updates the individual's status in NYBEAS.
- Retirees can pay the District directly for their portion of health insurance or have it deducted from their pension.

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- The Administrative Assistant sends an invoice to retirees that pay the District directly on a quarterly basis.
- An access database is maintained with all retiree information.
- Invoices are also generated from the access database and sent to retirees quarterly.
- The Senior Personnel Clerk receives and logs retiree health insurance payment checks before preparing them for deposit.
- The Administrative Assistant maintains a spreadsheet to track invoices sent and payment received.
- The Administrative Assistant or the Senior Personnel Clerk will contact retirees to follow up on late payments via phone call or letter.
- The benefits of deceased employees are terminated after the District receives notification from their family or through NYSHIP.

VII. Medicare Reimbursements

- Retirees and their dependents need to have Medicare A and B at age sixty-five (65) in place to maintain benefits or receive Medicare Part B reimbursements.
- NYSHIP notifies the District of when an employee will be turning age sixty-five (65) on its monthly invoices. In addition, the employee turning sixty-five (65) can contact the District on their own.
- Medicare enrollees with a Modified Adjusted Gross Income (“MAGI”) in excess of an amount determined each year are eligible for an income-related monthly adjustment amount (“IRMAA”) to be paid in addition to the standard premium cost of Medicare Part B.
- A copy of the retiree’s Medicare card is requested when the retiree becomes Medicare eligible.
- Medicare Part B reimbursements are processed on an annual basis.
- [The Senior Personnel Clerk sends all Medicare eligible retirees a confirmation letter each December that must be signed, notarized, and returned stating that they do not receive reimbursement from another source.](#)
- [The confirmation letter also states that Form SSA-1099 is required for reimbursements above the standard rate.](#) Proof of direct payments is accepted for those retirees who do not have pension deductions for Medicare premium payments.
- The Senior Personnel Clerk maintains a spreadsheet to prepare Medicare reimbursement payments. The retiree name, vendor number, budget code, and payment amount are documented in the spreadsheet.
- [The payment amount for each retiree comes directly from Form SSA-1099 or proof of direct payments.](#)
- The Business Administrator reviews the Medicare Part B reimbursement spreadsheet before it is forwarded to Accounts Payable for processing.
- [The Claims Auditor reviews and approves the warrant.](#)