

# ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



June 19, 2017

## Ulster County Health Benefit Dependent Eligibility Audit Follow-Up Review

*The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.*

# ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Control*

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***June 19, 2017***

Dear County Officials:

Our Office has conducted a follow-up audit on the findings contained in our previously issued report regarding the verification of eligibility of dependents covered by the Ulster County Health Insurance Benefit Package. This subsequent review sought to evaluate the status of the recommendations made as a result of our previous audit and to determine whether adequate controls are presently in place to govern the administration of the program and the eligibility of covered individuals.

Based on our investigation, we determine that all of the recommendations made pursuant to our initial audit have been fully implemented or are no longer applicable due to changes in administrative practices. Additionally, adequate controls now exist relating to the verification of dependent eligibility.

The reports issued by this Office are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs, improved service delivery, accountability, and protection for the County's assets. These reports are expected to be a resource and are designed to identify currently emerging fiscally related problems and provide recommendations for their improvement.

The Office of the Ulster County Comptroller conducted this audit and produced this Report in accordance with the Comptroller's authority as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable State laws, rules and regulations.

If we can be of assistance to you, or if you have any questions concerning this Report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

## Background

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The Comptroller's Office released its audit of Ulster County Health Benefit Dependent Eligibility in June 2014. That report's objective was to evaluate the effectiveness of the Personnel Department's ("Personnel" or "Department") internal controls over the verification of eligibility requirements for dependents of employees that participate ("Participants") within the County's health insurance benefit plan.

At the close of our initial review of the program, the Comptroller's Office made five recommendations for improvement to various controls and procedures. For more information regarding the original findings and recommendations outlined in our previous audit, please find it available at:

[https://ulstercountyny.gov/comptroller/sites/default/files/7.21.2014\\_Audit\\_Health%20Benefit%20Audit.pdf](https://ulstercountyny.gov/comptroller/sites/default/files/7.21.2014_Audit_Health%20Benefit%20Audit.pdf)

As prompted by the results of our audit, the County initiated procedural changes in September 2014 regarding the collection of documentation necessary to prove that existing employees' dependents were in fact qualified to be a part of the County's insurance plan. This undertaking was executed by way of memoranda sent to County offices and employees, helping to update and bolster the records of the Personnel Department. Additionally, at forums such as annual open enrollments and mandatory trainings, as well as the occurrence of certain life events, Participants have been subsequently reminded of the expectation to submit required documentation that qualifies their dependents to be under their insurance. Since January 2015, all new hires who participate in the health insurance program have been mandated to submit this documentation as proof of their qualified dependents.

During open enrollment in October 2016, the County moved to an online enrollment process for health benefits. During this yearly exercise, it is communicated to employees that they are expected to provide documentation and are attesting to the truthfulness and accuracy of the information being provided via the online form. If it is determined that a dependent is not eligible, but still enrolled as such, the employee may be subject to a civil penalty for false statements, will be held financially responsible for reimbursing the County for any claims that may have been incurred on behalf of the ineligible dependent, and may face disciplinary charges.

## Objectives

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The objective of our follow-up review was to:

- Determine with reasonable assurance whether enrolled dependents covered by the County have been verified as eligible;
- Determine whether Personnel files are adequately maintained as far as dependent eligibility identifiers (i.e. birth certificates, marriage licenses, etc.); and
- Determine whether sufficient internal controls now exist to verify dependent eligibility.

## Summary of Recommendations from our Initial Audit

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### **Recommendation #1 – Employee Unresponsiveness**

**Original Finding:** Essential documentation was not received from 21% of Participants. Moreover, eligibility of those Participants’ dependents could not be confirmed as part of testing during our initial audit.

**Recommendation:** The original report made the recommendation that Personnel should notify Participants (who did not verify dependent eligibility) that their dependents’ coverage will be terminated if they fail to respond to the request for verification.

#### ***Current Status:***

Personnel has worked diligently to obtain any missing documentation needed to verify Participant eligibility. Based on our follow-up review of 40 Participants sampled, the Department has been generally successful in obtaining the missing documentation noted in the previous audit.<sup>1</sup>

### **Recommendation #2 – Ineligible Dependents**

**Original Finding:** Out of 606 responsive Participants, 6 appeared to have dependent eligibility issues during our initial audit review.

**Recommendation:** We recommended within our previous audit that Participants should be required to provide accurate and up to date documentation to Personnel when any material changes to their eligible dependents’ status occurs (i.e. marriage, divorce, birth, death, etc.) Additionally, we noted that Personnel should require that any changes to a Participant’s dependent coverage be requested in writing and that documentation be retained in the employee’s file. Further, we recommended that Personnel follow up with the four Participants who requested to remove their dependents from their health plans but saw no action subsequently taken by the Department.

We also recommended that Personnel should require a notarized affirmation from each Participant, indicating the dependents that should still be covered under the employee’s policy (“Annual Eligibility Verification”) on an annual basis.

#### ***Current Status:***

Following our audit, Personnel was able to address those four participants who indicated that there were dependents existing on their policies that should be removed.

Currently, the County requires employees to complete their annual enrollment online. During this process, the employee is required to indicate who should be covered and must also verify the accuracy of the information via the online form. The implementation of this

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<sup>1</sup> See report section titled “Follow-up Testing Results,” describing how birth certificates were not found in two instances.

safeguard satisfies our recommendation of conducting annual eligibility verifications, as participants are required to annually review and verify covered persons.

### **Recommendation #3 – Fabricating Records**

**Finding:** One Participant provided a fabricated 2013 Federal Tax Form to our Office in an attempt to respond to our request for verification.

**Recommendation:** As with all unverified Participants, this Participant’s dependent should be dropped if the accurate, unaltered documents requested are not received within 30 days of notice to terminate coverage.

#### ***Current Status:***

Based on our discussion with Personnel, it is our understanding that the Form 1040 is considered the employee’s additional attestation to the fact that the marriage is valid. Any employee is capable of creating a fabricated Form 1040 by using fillable forms that are available on the IRS website. The County is not able to determine whether the form provided has actually been filed with the IRS, which is why the form’s purpose is mostly to provide an additional attestation that the original information provided is true and accurate. For that reason, Personnel has not required the form be submitted by all Participants who were already covered by the plan. The Department has required that all new Participants provide a copy of this form, including an additional attestation statement during the online enrollment process.

With regard to the specific employee noted in our previous audit, we would like to note that there is a copy of the Form 1040 located in the employee’s file that appears to accurately report both the employee’s and spouse’s Social Security information.

### **Recommendation #4 – Incomplete Employee Files**

**Finding:** During our initial audit, it was determined that a total of 130 enrolled dependents out of 177 (or 73%) did not have a required document included within the respective employee’s files.

**Recommendation:** Our original report made the recommendation that Personnel’s files include the initial documentation necessary to provide coverage. We recommended that in its first “Annual Eligibility Verification” process, Personnel request documentation providing proof of eligible coverage under the County’s health benefit plan from all enrolled Participants and maintain those documents within the employee’s file.

#### ***Current Status:***

Personnel was able to obtain the missing documentation from the majority of employees subsequent to our initial review. It is now the practice of the Department to maintain the verification documents for all covered Participants. Based on our review of 40 Participants’

files, Personnel has successfully obtained the verification documents for the majority of the employees.<sup>2</sup>

### **Recommendation #5 – Employee Information Issues**

**Finding:** Personnel records had inaccurate Social Security Numbers and dates of birth of dependents. Dependents were listed in Personnel’s files, which were not listed on the data files received from Rose & Kiernan or Blue Cross Blue Shield (or vice versa).

**Recommendation:** We recommended Personnel request documentation to verify information provided by employees and update employee records in order to correct the information we found that contained errors.

#### ***Current Status:***

The change in the administration of employee enrollment to an online platform has improved the occurrence of such errors. Participants are required to annually enter spousal and dependent information and any changes made by an employee are verified by Personnel. Also, supporting documentation is requested before coverage changes are applied. If any errors are made at this time, the system is designed to alert Personnel when there are discrepancies in information so that any errors can be addressed immediately. We did not note any such errors in our follow up testing of 40 participants.

### **Scope**

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The scope of this follow-up review focused on the recommendations made in our initial report and sought to determine the current status of those recommendations, as well as the effectiveness of the internal controls now in place to govern the verification of dependent eligibility.

To accomplish this initiative, our testing began with an interview of essential administrators and management to discuss the current procedures in place and to ascertain whether there had been any changes to the policies and procedures regarding dependent verification since our last review.

We also selected a sample of 40 Participants who had either dependent or spousal coverage, reviewing the employees’ files to verify that the appropriate documentation was maintained and included. Of the 40 files we selected, 22 had family coverage and 18 were spousal only.

We tested each Participant for the following required documentation as applicable:

**Spouse:** Marriage certificate and redacted copy of most recent tax return<sup>3</sup>

**Dependent Child:** Birth certificate or adoption documents<sup>4</sup> ()

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<sup>2</sup> See report section titled “Follow-up Testing Results.”

<sup>3</sup> We note that when a marriage initially takes place there may not be an IRS Form 1040 indicating marriage status available. In this case, only the marriage certificate is required to begin coverage. Redacted 1040 forms are required for new employees during open enrollment and for life event coverage situations.

## Follow-Up Testing Results

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Based on our review of 40 employees' Personnel files, there were two missing birth certificates for dependent children. Upon our notification, Personnel contacted these employees to request the appropriate documentation. Prior to the completion of our audit, the documents were provided to Personnel and have been added to the employees' files. We note that these dependents had been plan Participants for several years.

## Conclusion

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Based on our review of Personnel's files and our interview with the Department, it appears that each prior recommendation we made has been addressed as part of the current administration of verifying enrollee eligibility. In addition to each of the issues discussed above, a primary concern that was noted during our initial audit was the lack of standard procedures to govern the process of verifying enrollee eligibility. During our follow-up review, we were provided with detailed procedures that are now in place to govern this process.

Please see **Appendix** for Management's Response.

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<sup>4</sup> In the case of step-children, the covered spouse must be a natural or adoptive parent.

# Appendix

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Management's Response



**ULSTER COUNTY PERSONNEL DEPARTMENT**

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**SHEREE CROSS**  
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**JAMES FARINA**  
*Director of Employee Relations*

To: Alicia DeMarco, Director of Internal Audit and Control

From: Sheree Cross, Personnel Director 

Date: July 18, 2017

Cc: Robert Sudlow, Deputy County Executive

Re: Review of Health Benefits Eligibility Audit Follow Up Report

The Personnel Department appreciates the recognition by the Comptroller's office of the diligent work being completed by the Personnel Department/Employee Benefits on behalf of the County and its taxpayers.

Under the supervision of the County Executive the Personnel Department strives to be complete and accurate with all aspects of the work that is conducted by the Department.