

MEMORANDUM FROM THE

ULSTER COUNTY OFFICE OF THE COMPTROLLER

March S. Gallagher, Esq.
Comptroller



Charles Dinstuhl, CPA
Deputy Comptroller

MEMORANDUM

To: County Executive Jen Metzger
Legislative Chair Peter Criswell

Cc: Minority Leader Kevin Roberts
County Attorney Clint Johnson
Personnel Director Dawn Spader
Information Services Director Alan Macaluso

From: County Comptroller March Gallagher

Re: Alera Group Breach Recommendations

Date: August 14, 2025

On Monday, August 4, 2025, Ulster County employees began receiving letters on behalf of Alera Group that the company had suffered a cyber breach in 2024 that compromised Ulster County employee personal and health data. The next day, the Comptroller's Office inquired regarding the way that the breach was handled both by Alera Group and by Ulster County. The Comptroller's Office was included by the Metzger Administration in a zoom call with Alera Group to have some questions answered. This Memorandum is a summary of the current recommendations and observations that the Comptroller's Office has regarding the breach.

Alera has informed County officials that the multiple mailings County employees received showed the names of vendors to which the Alera Group does not actually provide County data. Vendors such as "Uc-Ulster County", "Bsc Kpi", and "Benefit Information Services" were included in the mailings to County employees in error. Alera blames a third-party vendor they used for mailing they referred to as "IDX". It is the opinion of the County Comptroller that when a vendor subcontracts out work, they take responsibility for that work. We are concerned that the deluge

of mail received by impacted individuals is confusing and may prevent people from taking appropriate steps to secure their credit.

The Alera Group Enters the County into Agreements with Large Vendors that do not Follow the Standard Procurement or Contract Approval Process

In the Health Insurance Audit released by the Comptroller's Office earlier this year, we found that by contracting with Alera Group and having all health insurance vendor contracts run through Alera, the County does not have standardized procurement procedures in place for negotiating insurance policies and premiums. As a result, medical, stop loss, dental, and vision insurance contracts are renewed without competitive bidding or transparent evaluation of alternative coverage options, leading to potential overpayments and the possibility of suboptimal coverage. In addition to the coverage and pricing issues, this breach has also made it clear that that lack of a formal contractual relationship with entities such as Anthem Blue Cross Blue Shield, Davis Vision, Guardian Dental, Prime Therapeutics, CANARX, and others may put Ulster County and Ulster County employees' data at risk without clear options for redress.

Ulster County spent \$24.3 million in 2024 and \$15.6 million thus far in 2025 with Anthem Blue Cross Blue Shield, the majority of which was to pay claims, and a portion of which was for the administration of the third-party administration services. While there is an administrative services agreement in place since 2011 and amended from time to time, there is no formal contract between Ulster County and Anthem and there is no legislative approval for the arrangement. The same is true for other vendors such as Guardian, Davis, Prime and CanaRX. **The County should pursue contracts directly with these vendors, following the ordinary procurement policy.**

Contracts With Vendors Having Access to County Data Must Codify Explicit Breach Procedures

While many health insurance related vendors do not have contracts with Ulster County, those contracts we do have with private vendors that handle personal and health information do not contain explicit breach procedures. Each contract with a vendor that handles personal and health information on behalf of Ulster County must have processes required to be performed when a breach is identified. **Adopted cyber breach procedures should consider requirements for notifying state and federal agencies as well as impacted individuals.**

Notice Provisions of the Contracts with Alera and Other Vendors May not be Adequate

Contract procedures in the event of a breach at a vendor organization that handles Ulster County data must include strengthened notice provisions moving forward. The contract with Alera uses standard legal notice boilerplate that would allow a single letter to the Director of Personnel to be sufficient notice.

ARTICLE 39 - NOTICES

Except as expressly provided otherwise in this Agreement, all notices given to any of the Parties pursuant to or in connection with this Agreement will be in writing, will be delivered by hand, by certified or registered mail, return receipt requested, or by Federal Express, Express Mail, or other nationally recognized overnight carrier. Except where otherwise specifically defined within this Agreement, notices will be effective when received. Notice addresses are as follows:

Firm:

Alera Group, Inc.
800 Parker Hill Drive
Suite 100
Rochester, New York 14625

County:

Ulster County Personnel Department
Attention: Dawn Spader, Personnel Director
PO Box 1800
Kingston, New York 12402

Legal notice regarding the contract should also be directed to the County Attorney's Office and new language in all future contracts regarding data breaches should include notification of the County Executive and Director of Information Services as well.

Ulster County Must Adopt a Cyber Security Policy Without Delay

Management letters from the County's former external auditor for the 2018, 2019, 2020, and 2021 audits contained a recommendation that the County adopt and keep current a cyber security policy. In 2022, a draft cyber security policy was considered by the Legislature. Resolution 486 of 2022 was ultimately not moved out of committee and no subsequent cyber security policy has been introduced. **Any cyber security policy considered for adoption should address breaches at third-party vendors as well as breaches of County systems.**

An RFP for the County's Health Benefits Advisor Should be Pursued Immediately

The Personnel Department has advised the Comptroller's Office that the Alera Group contract was set to be rebid in 2026. There is no reason not to move more promptly in obtaining bids from vendors for this service. Even without the cyber breach, **the County should pursue early bidding for expiring contracts in this area to ensure appropriate hand off from one benefits advisor to another.**

The County Must Seek Legal Recourse Against the Alera Group

Employees need to know that the County will stand up for their rights and make every effort to ensure that justice is served. The County has already spent thousands of dollars' worth of time both on behalf of management in addressing the breach and by employees registering for credit protection. **We believe that the County should file suit against Alera for the harm caused to all the County employees as well as the damage done to the County itself.**

Mail Opening Procedures Need Strengthening

Alera Group alerted the Ulster County Personnel Director of the cyber breach by hard copy letter dated May 30, 2025, and is date stamped by the Personnel Department as received June 3, 2025. The Personnel Department is unable to determine by what delivery method the letter was received. As the contract requires notification via certified or registered mail return receipt requested or via overnight delivery service the County has no way to know at this time if the delivery method complied with the contract. **The Comptroller's Office recommends that those departments receiving legal notifications such as Personnel, the Executive's Office and the County Attorney's Office have a way to log the method of receipt under the date stamp for each document received.**