

# ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



June 6, 2014

## Ulster County Health Benefit Dependent Eligibility Audit

*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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**Elliott Auerbach**  
*Comptroller*



**Joseph P. Eriole, Esq.**  
*Deputy Comptroller*

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July 21, 2014

Dear County Officials:

Transmitted herewith is our report on the Ulster County Health Benefit Dependent Eligibility Audit. Our report and analysis concentrated on confirming the eligibility of dependents covered under the Ulster County Health Insurance Benefit Package. It also served as a performance audit of the Ulster County Personnel Department's processes and procedures for verifying and retaining documents which confirm the eligibility of employee dependents.

We conclude that the Personnel Department's administrative adherence to procedures with respect to the enrollment process is in need of improvement. Several issues have been identified for management's consideration to improve processes and performance.

The reports issued by this Office are an important component in accomplishing the development and promotion of short and long-term strategies to reduce costs, improve service delivery, and account for and protect the County's assets. These reports are expected to be a resource and are designed to identify both fiscal and performance related concerns and provide recommendations for 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 and generally accepted government auditing standards.

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

## I. Introduction & Background

Under the Charter, the Ulster County Personnel Director is charged with the powers and duties of “develop[ing] and administer[ing] a personnel program for the County... [(S)he is] the principal liaison with employee labor unions, advise[s] the County Executive in collective bargaining, and ... exercise[s] all the powers and duties as provided in the Civil Service Law in the State and all the powers and duties conferred or imposed upon him or her by any other law.” In connection with these powers and duties, the Personnel Department (“Personnel”) is responsible for administering the County Employee and Retiree (“Participant”) benefits.

In accomplishing its charge, Personnel must work closely with all County administrative units to acquire quality coverage as economically as possible. Personnel administers such coverage through a self-insured benefit plan (the “Plan”) adopted in 2007 which provides medical, dental, vision and prescription coverage, and the option for a health insurance buyout<sup>1</sup> for over 4,000 Participants including their dependents (collectively, “Enrollees”). A self-funded health care plan is one whereby an employer provides benefits to Enrollees with employer funds, as opposed to a fully insured commercial plan where the employer contracts with an insurance provider to cover the participants. While a self-insured form of insurance tends to be less expensive than traditional commercial plans, under these plans, the employer assumes the direct financial risk for payment of benefit claims. An employee benefits program is one of the largest expenses for local governments; for the year ending December 31, 2013, Ulster County’s healthcare benefits cost approximately \$24.7 million, an increase of 14% from 2009; and, depending on the plan coverage selected by the Participant, the cost can range from \$662 to \$2,492 monthly for each Participant, less their contribution, if any.<sup>2</sup> As a self-insured plan, there is a direct correlation between the cost of the program and the cost to Ulster County taxpayers.

Ulster County contracts with Empire Blue Cross Blue Shield (“BCBS”) for medical coverage and other care providers for dental, vision, and retired employee health benefit coverage to utilize their provider networks; however, the County is responsible for reimbursements to the respective insurance companies for payments to the health care provider for their services. Without careful controls to ensure that only eligible dependents are receiving health care coverage at taxpayer expense, the risk of fraud and waste is increased. To help administer the relationships between Ulster County and the providers, the County maintains a contract, which cost approximately \$368,000 for 2013, with a third party insurance broker, Rose & Kiernan, to process all claims and administer the Ulster County personnel health care benefits.

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<sup>1</sup> The health insurance buyout option is available to all employees who are eligible for health insurance benefits but who choose not to enroll in the Ulster County health insurance plan and who have obtained coverage through another source. Instead, the employee can receive a buyout payment in lieu of coverage ranging from \$1,000 - \$2,000 annually depending upon the bargaining unit to which the employee belongs.

<sup>2</sup> The Participants contribution percentage is based on their date of hire.

As health care costs continue to increase, it is important to verify that all individuals covered are eligible per the Ulster County eligibility requirements. While Personnel has procedures in place to verify eligibility of enrollees at time of initial enrollment, these procedures are not written, and there currently are no procedures in place to follow up on the status of enrollees. As time passes, and family dynamics change, the need to update and verify records becomes more important both from a financial and performance standpoint. To achieve this verification, many agencies have found it practical to perform Dependent Eligibility Audits (“DEAs”). Some agencies have used outside firms who specialize in DEAs at a cost of \$12-15 per participant. If Ulster County outsourced this process it would cost the County approximately \$20,000. With full compliance, DEAs can discover enrollees who do not meet their plan’s criteria for eligibility based on substantive proof that the necessary relationship still exists between the Participant and their dependents, and that all other criteria of eligibility are met. For Ulster County health insurance coverage, eligible dependents are defined as a spouse, natural child, step child, or a legally adopted child. For a self-insured plan, carrying coverage on persons other than those eligible, results in unnecessary payments of claims to physicians and other health care providers for services rendered.

As Chief Auditor of Ulster County, this Office’s top priority is to ensure taxpayer dollars are being used effectively and efficiently to meet the needs of Ulster County residents and businesses. We accomplish our mission by conducting audits and other analyses of County-wide operations in accordance with the Ulster County Charter. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## II. Objectives

This performance audit had two primary objectives: (i) verify the eligibility of all enrolled dependents as established in the “Ulster County Benefit Information Book,” annually made available to employees and to new hires, and (ii) determine whether personnel files are adequately maintained with dependent eligibility identifiers such as birth certificates, marriage licenses, adoption papers, etc.

Performance audits improve government by comparing the actual practice of the agency to the procedures with which the agency is required to comply. To fulfill the objectives of this performance audit, our Office planned the following:

- Obtain a listing of enrolled Participants and their dependents under the Plan from Personnel, Rose & Kiernan, and BCBS, and review for discrepancies;
- Identify Participants enrolled under the Plan;

- Filter the results via our audit software to include only Participants covered under medical benefits with the election of “+1” or “Family” coverage<sup>3</sup>;
- Request proof of dependency as described in the Scope, Methodology and Criteria section of this Report from all Participants who matched this filter;
- Compare the information received from Enrollees to Ulster County data and research any discrepancies.
- Verify that each Participant has a file maintained by the Ulster County Personnel Department with copies of relevant documents identifying dependent eligibility.

The objectives were accomplished by reviewing the above items for the 2013 calendar year.

After thorough review, our Office concludes, with reasonable assurance, that Personnel does not have standard procedures in place for documenting enrollee eligibility. Written policies should be adopted by the Legislature and incorporated into the Ulster County Standard Operating Procedures.

*Personnel does not have standard procedures in place for documenting enrollee eligibility. Written policies should be adopted by the Legislature and incorporated into the Ulster County Standard Operating Procedures.*

### III. Observations and Recommendations

Of the 766 Participants with +1 or family coverage, 606, or 79%, were responsive to the document request phase of our audit (Phase I). The remainder failed to verify their dependents’ eligibility for coverage.

While Personnel strives to administer a responsive and cost effective benefit program safeguarding the County’s resources, there are several performance issues which prevent reasonable assurance that enrolled dependents are entitled to the specified coverage. Potential for improvement was identified with respect to record keeping and suitable documentation proving eligibility. Furthermore, we selected a sample of 75 of the 160 non-responsive Participants, whose unverified dependents totaled 177.<sup>4</sup> Of those unverified dependents, we determined that Personnel also lacked documentation to verify the eligibility of 130, or (73%), of those “dependents.”

#### **Phase I Observations and Recommendations**

##### **A) Employee Non-Responsiveness**

**Finding** – Essential documentation was not received from 21% of Participants and eligibility of those Participants’ dependents cannot be confirmed.

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<sup>3</sup> The Participants’ election for “+1” coverage includes benefit enrollment for a Participant and a dependent, whereas family coverage includes a Participant and more than one eligible dependent.

<sup>4</sup> All Participants are entitled to coverage under the Plan and are excluded from the requirement to provide proof of eligibility. However, their dependents are not. (252 total unverified enrollees, less the 75 Participants is equal to 177 unverified dependents.)

**Figure 1: Response Rates by Bargaining Unit**

<u>Union</u>	<u>Start Date</u>		<u>% Responsive</u>	
	<u>18-Mar-14</u>	<u>Unverified</u>	<u>Responsive</u>	<u>By Union</u>
CSEA*	483	59	424	88%
CWA*	103	60	43	42%
DH	16	1	15	94%
DHE	5	1	4	80%
MGT	83	10	73	88%
SMNU	7	0	7	100%
PBA	30	24	6	20%
SOU	5	4	1	20%
UCSA	34	1	33	97%
	766	160	606	

***21% of Ulster County Plan Participants did not produce verification documents. Thus, the eligibility of 369 dependent enrollees cannot be verified as entitled to coverage.***

**NOTE:**

\*4 of the non responsive CSEA members on 2 person plans are employees of the County. Verification of their records is not necessary  
 \*1 of the non responsive CWA members on a 2 person plan are employees of the County. Verification of their records is not necessary

**Recommendation** – 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. We recommend that such written notification be sent immediately and that Participants’ dependents be given no more than 30 days to provide the requested dependent eligibility verification. As a self-insured provider, it is fiscally irresponsible for the County to provide coverage to persons who cannot or will not provide proof of their eligibility.

The proof required should be the same as that requested in our Audit, because it is well established in the industry as the most reliable proof, and reflects the same standards met by responsive enrollees.

**Details** – On January 6, 2014, our Office included with every Participant’s payroll check, a letter notifying Participants that we would be conducting this audit and informed them of the documentation that they should begin to gather (see **Figure 2** for requested information). While concerns were raised by some as to the intrusiveness of our requests, the requirements of the audit had been substantially vetted both legally and in terms of its conformance with best auditing practice. The request for the required information was not at all unusual compared to similar audits throughout the country.

The following figure illustrates the requested information and why it was requested:

**Figure 2: Requested Information**

Relationship	Document Requested	Reason for Request
Spouse	<ul style="list-style-type: none"> <li>• A redacted photocopy of the front page of the Participant’s 2013 Federal Tax return indicating the Participant filed either as Married Filing Jointly or Married Filing Separately.</li> <li>• All financial information and the first five digits of all shown social security numbers were to be blacked out leaving only the last 4 digits of the social security numbers shown for verification purposes.</li> </ul>	<p>This document provided reasonable assurance, for this audit, that the Participants were still in fact married since they file as such under penalty of perjury with the United States Government in their ordinary course of conducting their personal and professional affairs. A marriage license was deemed unacceptable evidence because for purposes of this audit, it could be a stale document. In other words, a person could be divorced and still hold a copy of their marriage license. Similar arguments could be made for other documentation that individuals wished to substitute such as joint accounts, joint mortgages, joint utility bills, etc.</p>
Children & Disabled Children	<p>Any of the following was acceptable:</p> <ul style="list-style-type: none"> <li>• Photocopy of the child’s birth certificate or adoption certificate (the hospital birth announcement is not sufficient);</li> <li>• Photocopy of a court order naming the Participant or spouse as the child’s legal guardian;</li> <li>• For step-children, documentation of the Participants current relationship to their spouse as requested above.</li> </ul>	<p>The birth certificate lists the father and mother of the child. Adoption certificates list the names of the adopting parents, which can be verified against the name of the Participant claiming the child.</p>
Former Spouse	<ul style="list-style-type: none"> <li>• A redacted photocopy of the front page of the Participant’s 2013 Federal Tax return indicating the Participant filed as single, <b>and</b></li> <li>• A copy of the Participant’s divorce decree including the settlement agreement. The document must have included the parties involved, the date of divorce and the section referring to health insurance for the former spouse and/or children.</li> </ul>	<p>The purpose of this request was for those individuals who were divorced during our audit period, as they could not maintain coverage on their spouse through the Plan. However, if the document did state they had to maintain coverage on their children, if any, this document served as proof for their children dependents.</p>

There were also concerns that the information was duplicative and our Office could obtain the documentation from Personnel, or that Personnel should have conducted the audit. First, there is a fundamental misunderstanding of the audit function inherent in this objection. To some extent, all audits appear to be duplicative. Auditing is the confirmation of the accuracy of another’s practice or work.

As for Personnel’s role in conducting such an audit directly, there is a place for such department review, as this Report points out elsewhere, and it is to be encouraged. However, that does not change the pertinence of our independent audit authority, or the value of that independent review.

In addition, our Office must maintain its independence in order to be in compliance with auditing standards and best practice. It is not considered an independent source to rely upon a document provided by the office that is being audited. Therefore, we are content with our request of information.

The argument that the audit is duplicative is also countered by the fact that our findings indicate that Personnel generally does not maintain these documents in their employee files.

The names of those who did not verify their eligibility have been provided to Personnel for further verification, as recommended herein.

**Figure 3: Non Responsiveness by Department**

<b>Department</b>	<b>Original List</b>	<b>Unverified</b>
Aging	8	0
Clerk	26	4
Comptroller	4	0
County Attorney	8	0
District Attorney	20	1
D.P.W	122	16
D.S.S	168	18
Emergency 911	16	1
Elections	7	1
Employment & Training	5	0
Executive	7	0
Finance	18	6
Health	41	1
Information Services	19	0
Jail	98	57
Legislature	10	6
Mental Health	27	1
Public Defender	19	1
Personnel	8	0
Planning	3	1
Probation	32	3
Purchasing	6	1
Safety	4	0
Self Insurance	7	1
Sheriff	50	35
Tourism	2	0
UCAT	27	6
Veterans	3	0
Weights & Measures	1	0
	766	160

## ***B) Ineligible Dependents***

***Finding*** – Six out of 606 responsive Participants appeared to have dependent eligibility issues as follows:

- One individual provided to our Office divorce papers signed by the Clerk in June of 2011. This ex-spouse was still listed as insured under our policy;
- One individual's spouse passed away in December of 2013 and was not removed until notification was received of this audit;
- Four others claimed that requests were made to remove certain dependents from their plan; however, the dependents were still insured under our policy.

***Recommendation*** – Participants should be required to provide accurate and up to date documentation to Personnel when any changes to their eligible dependents occur (i.e., marriage, divorce, birth, death, etc.) It is also important that Personnel require any changes to be made to a Participant's dependent coverage be requested in writing so that the document can be filed appropriately. Further, we recommend Personnel follow up with the four Participants who stated they requested to remove the dependents.

We also recommend that annually, in addition to providing Participants their benefit information booklet, Personnel should provide an affidavit for each Participant to have notarized, indicating the dependents which should still be covered under their policy ("Annual Eligibility Verification").

***Detail*** – With regard to the divorced employee documentation received, had the ex-spouse utilized our coverage since their divorce, the County would have been responsible for paying those medical claims. If this individual had a serious illness these costs could have been significant. When we asked Personnel to provide the dollar amount of the claims paid for this individual from the divorce settlement date, we were notified that no expenses had been paid for that individual<sup>5</sup>. If any costs had been paid by the County for this individual, the County would have had the authority to seek payment from the Participant for reimbursement of the expenses. Two of the claimed requests to remove dependents were to remove spouses from the plan without written requests. In order for a spouse to be removed from coverage, NYS Insurance Law requires written and signed notification from both parties and proof of coverage for the spouse being removed, unless documentation for a judgment of divorce is received. Two of the other findings related to a Participant claiming they had removed a child from the plan. Personnel did not have anything in the Participant's files

***To avoid coverage of ineligible dependents, Participants should be required to provide documentation of any changes to their dependent coverage. Additionally, Personnel should implement a policy to verify Participant records at least annually during open enrollment.***

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<sup>5</sup> Due to the personal nature of reviewing the provider bills, our Office was not able to ascertain the information to be true.

indicating removal of the children; and since the children were still under the legal cut off age of 26, the children were still eligible for coverage and remained covered under the plan. In circumstances of a dependent passing away, maintaining coverage on the individual does not cost the County any money, since the individual would no longer be receiving health services. However, it is important that Personnel be informed of such instances so they may remove any ineligible dependents and maintain accurate and up-to-date records.

### ***C) 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.

***Detail*** – This Participant originally provided to our Office a 2013 Federal Tax return with all nine digits of their own and their spouse’s social security numbers redacted. We requested the last four digits be shown so that we could compare them to the social security number on Personnel’s records. When our Office reached out to this individual, this individual stated intention not to respond to our request. Later, we received a return with the last four digits of the Participant and spouse’s social security numbers shown in the boxes for the first five of their social security numbers on the return. Had this return actually been filed with the IRS, it would have been rejected, and despite the redaction on the two forms sent to us, it is clear that the two forms are not identical. These factors make the second form’s authenticity highly suspect. When we brought this to the Participant’s attention, we then received yet another return with the last four in the correct placement on the return. However, the font and appearance of the document did not correspond to the original provided and was clearly filled out with the online fillable .pdf file provided on the IRS web site. This Participant will be listed on the unverified list to be sent to the appropriate officials of the County for further verification.

## **Phase II Observations and Recommendations**

### ***A) Incomplete employee files***

***Finding*** – A total of 130 enrolled dependents out of 177, or 73%, in our sample of the 75 unverified Participants, did not have a document included within the respective employee files maintained by Personnel demonstrating proof of eligibility, or relation to the Participant for benefit coverage.

***Recommendation*** – The incompleteness of files even as to initial eligibility is a serious concern. As noted above, Participants who did not verify their eligibility should be notified that they must provide verification within a 30 day time period or their dependents’ coverage will be terminated. But even as to eligible, verified enrollees, Personnel files should include the initial documentation necessary to provide coverage. We recommend

that in its first “Annual Eligibility Verification” process, Personnel request from all enrolled Participants, documentation providing proof of eligible coverage under the County’s health benefit plan, and maintain those documents within the employee file. Protecting the privacy and personal information of the documentation was a priority of our Office, and as of the completion of this audit, all documents have been destroyed. Therefore, we are unable to provide the documents to Personnel. Also, in an effort to maintain our independence we believe sharing the documentation to be a breach of confidentiality of the data we received from those Participants who had the confidence in our Office to handle their personal documents as described.

*73% of the non-responsive Participant files did not contain evidence supporting health benefit eligibility.*

**Detail** – We compiled a sample of 75 Participants of the 160 who did not provide responsive documentation, to identify whether Personnel maintained a record of their enrollment eligibility. During our verification process, we were informed by Personnel that they did not have a policy or procedure in place to request documentation of proof. Policies should require all applicants for dependent coverage to provide proof of dependent status as part of the enrollment process and to annually confirm that claimed dependents meet eligibility criteria. Included in our sample were individuals who gave birth during our audit period, and those files also did not contain documentation of the child added to the Participant’s policy. The files that did contain a document providing proof of eligibility were included either because the Participant sent in the documents, or dropped them off while the responsible staff in charge of verifying the document was out of the office and a copy was left for them to verify upon return. We were also informed that if a Participant does provide documentation, they typically only review the document and return it to the Participant without putting a copy within the employee file.

This Phase of the audit was to include verification of records of those Participants who did respond with the requested data, as well. However, after reviewing the unverified Participant files and finding a 73% exception rate, both Personnel and our Office determined that it would not be effective to examine the files of the responsive dependent sample, as they would be no more complete than the unverified dependent files.

**Other Observations and Recommendations**

***A) Employee information issues***

**Finding A.1** – Personnel records had inaccurate social security numbers and dates of birth of dependents.

**Finding A.2** – Dependents were listed in Personnel’s files that were not listed on the data files received from Rose & Kiernan or BCBS, and/or, vice versa.

**Finding A.3** – Documentation of dependent status dated back 24 years.

**Recommendation** – As previously stated, for the Participants whose dependents did not verify their eligibility, we recommend Personnel request verification of information and update their records accordingly as well as update the information we found to contain errors, or terminate dependent coverage. Our review of Participant employee files was conducted in the presence of Personnel staff, with documentation and information, if any, being produced only as the specific items sought in connection with this audit. This review revealed that documentation providing proof of spouse eligibility dated as far back as 24 years. While it is important that this documentation be on file, it is also important that Personnel follow up with Participants on their dependents’ status more regularly. We recommend Personnel implement a verification of dependents policy and procedure as set forth herein. This documentation, in addition to the enrollment documents (marriage license, birth certificate, etc.), would serve as a reasonable, cost effective verification method.

**Detail** – Our process of verifying records included verification not only of dependents enrolled but also of the information on file with Personnel. Our Office was only able to verify the data of Participants who complied with our Audit. The data files received from Rose & Kiernan or BCBS contained correct Participant information. A list of errors found by the Comptroller’s Office has been provided to Personnel to correct. It is important that the information on file be accurate in our system and relevant for benefactor purposes.

#### **IV. Scope, Methodology, and Criteria**

The scope of this audit included all employees and retirees who elected either “+1” or “Family” plan coverage at enrollment for Health Benefits covered under the Empire BCBS Plan.

Per the Ulster County Benefit Information Booklet, “The County reserves the right to ask for proof of dependent eligibility. If it is determined that a dependent is not eligible, but is enrolled as such, the employee will be held financially responsible for reimbursing the County for any claims paid for services rendered by an ineligible dependent.” We also reached out to other municipalities who have performed DEAs to gain an understanding of their methodology to aid in the implementation and the procedures of this audit. We then requested that an insert be made into every Participant’s bi-weekly paycheck envelope to serve as a notice that our Office would be conducting this audit, a practice typical when any County administrative unit seeks to communicate with all or a large portion of the County workforce. We carried out the audit in two phases:

##### **Phase I:**

Personnel provided our Office with spreadsheets which were compiled using Participant enrollment data on file with their department, Rose & Kiernan, and BCBS. We imported this data into our audit software to perform a comparison and identify, if any, enrollment discrepancies. We then extracted from the list only individuals who are enrolled with dependents; either under a “+1” plan or “family” plan. We then carried out Phase I of this audit by conducting the following:

- Mailed to Participants a request that they provide to our Office proof of their listed dependents. The letter which describes the requested documentation is included as **Appendix A**.
- Our first mailing requested a response by April 30, 2014, and during this period we tracked the participation.
- Those who did not provide the requested information were then sent a second and final request, mailed on May 1, 2014, requesting a response by May 16, 2014; our Office also tracked the participation of those replies.
- Held a meeting with Personnel to review ineligible dependents<sup>6</sup>.
- Provided a listing to Personnel of the individuals who did not comply.

The audit findings are based on documentation received by the date our field work was completed, June 6, 2014. Any documentation received after this date was not considered and has been destroyed.

**Phase II:**

Phase II of this audit included comparing the information that was received from Participants with the personnel files in order to ensure Personnel maintained complete and accurate files on the Participants. We compared the following documentation:

- Participants name and date of birth to their personnel file and to our MUNIS payroll system to validate they were in fact a current or retired employee of Ulster County.
- We compared the information received from the Participants regarding their dependents to the documentation Personnel had on file when the Participant enrolled their dependents (i.e., marriage licenses, birth certificates, adoption certificates)

Criteria represent the laws, regulations, contracts, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation.

Criteria for this review consisted of the following:

- 1) Ulster County definition of eligible dependents as defined in our benefit information booklet;
- 2) Respective Labor Contracts for employees and retirees.

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<sup>6</sup> In New York State, any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

## **Conclusion**

Based on our review, we determined that Personnel's employee benefit files were incomplete and that written policies or procedures are not in place to ensure only eligible dependents are initially enrolled in the Ulster County health benefit plan. In order to fully implement a new file maintenance system for inclusion of supporting documents, significant support and direction from management in keeping with our recommendations is imperative. Present Personnel management has evidenced a desire to implement improved procedures.

This report, in draft, was provided to the County Personnel Department and the corresponding Deputy County Executive overseeing that Department for review. No written comments were received during the review period.

We appreciate the cooperation of those Participants and their dependents who were responsive and helped our Office conduct Phase I of this audit. We appreciate their respect for the importance of the audit and of enhancing public trust in the administration of a taxpayer-funded benefits program the breadth of which exceeds that of typical plans in the private sector.

**Appendix A**  
Letter to Participants  
Dated March 18, 2014



Elliott Auerbach, Comptroller  
244 Fair Street  
Kingston, NY 12401  
845-340-3529

**Office of the Ulster County Comptroller**  
**Ulster County Employee Benefit Audit**  
**Notice to Employees**

March 18, 2014

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**Important Information Affecting Health Benefits Coverage  
For Your Spouse and/or Dependent Child(ren)**

Dear Participant,

This letter is being provided to you as notification that the Office of the Ulster County Comptroller is conducting a Dependent Eligibility Audit of all employees and retirees who are covered under the Ulster County Health Benefit Plan and are enrolled under a family, or +1, health plan as of June 1, 2013. The objective of this audit is to confirm that all dependent(s) participating under your policy meet the requirements outlined in the annual benefit package.

Our Office is requesting that you provide to our Office, no later than April 30, 2014, proof of your dependent(s) claimed under your benefit policy. Eligible dependents for Ulster County Health Insurance coverage are defined as: “a spouse, natural child, step-child, or a legally adopted child.”

Safeguarding the eligibility standards helps keep the cost of the benefit plan manageable for both you and the County. For that reason, the 2014 Health Insurance and Benefit Information package advises that the County has the right to confirm dependent eligibility.

The requested proof of dependent eligibility follows. Information other than that necessary to conduct the audit is to be redacted before submission, and, once the pertinent data is extracted from the submitted documentation, the documents will be shredded. Rest assured that the privacy of your information will be protected. We appreciate your immediate attention and cooperation of this matter. Please contact Senior Auditors Samantha Bertolozzi and/or Elizabeth Weredyk for any questions or concerns with regards to this notice. We are available Monday through Friday 8:00am – 5:00pm (845) 331-8774.

Respectfully,

Elliott Auerbach  
Ulster County Comptroller

THE FOLLOWING DOCUMENTATION WILL BE ACCEPTED AS PROOF OF DEPENDENT  
ELIGIBILITY

Please note that where your federal tax return information is requested, you are asked to **black out the first 5 digits of all Social Security Numbers (leaving only the last four numbers visible) as well as all income information.** (See Example Included)

**Where your dependent is a:**

- **Spouse**

If you and your spouse filed “Married Filing Jointly”, a photocopy of the front page of your 2013 Federal Tax return confirming this dependent is your spouse.

**-OR-**

If you and your spouse filed “Married Filing Separately”, a photocopy of the front page of your 2013 Federal Tax return indicating Married Filing Separate status **and** a copy of your spouse’s 2013 Federal Tax return indicating Married Filing Separate status, confirming this dependent is your spouse.

- **Please black out first 5 digits of all Social Security Numbers (leaving only the last four numbers visible) as well as all income information.**

- **Former Spouse**

A photocopy of your divorce decree including the settlement agreement. The document must include the parties involved, the date of separation/divorce and the section referring to health insurance for the former spouse.

**-AND-**

A photocopy of the front page of your 2013 Federal Tax Return indicating you have filed single. **All other information in the decree and on your federal tax return should be blacked out.**

- **Please black out first 5 digits of all Social Security Numbers (leaving only the last four numbers visible) as well as all income information.**

- **Surviving Spouse**

A photocopy of the front page of your 2013 Federal Tax return, indicating you have filed Married Filing Joint.

- **Please black out first 5 digits of all Social Security Numbers (leaving only the last four numbers visible) as well as all income information.**

- **Child or Disabled Child Over the Age of 26**

A photocopy of the child’s birth certificate or adoption certificate naming you or your spouse as the child’s parent (the hospital birth announcement is not sufficient).

**-OR-**

A photocopy of the court order naming you or your spouse as the child’s legal guardian.

If your child is disabled **and** over age 26, please contact our office for further instruction.

- **Step-Child Not Legally Adopted**

A photocopy of the child's birth certificate or adoption certificate naming your spouse as the child's parent (the hospital birth announcement is not sufficient)

**-OR-**

A photocopy of the court order naming you or your spouse as the child's legal guardian.

**-AND-**

If you and your spouse filed "Married Filing Jointly", a photocopy of the front page of your 2013 Federal Tax return confirming that the natural or legally adoptive parent, or legal guardian, of the step-child is your spouse

**-OR-**

If you and your spouse filed "Married Filing Separately", a photocopy of the front page of your 2013 Federal Tax return indicating Married Filing Separate status and a copy of your spouse's 2013 Federal Tax return indicating Married Filing Separate status, confirming that the natural or legally adoptive parent, or legal guardian, of the step-child is your spouse

- **Please black out first 5 digits of all Social Security Numbers (leaving only the last four numbers visible) as well as all income information.**

**Please Note: If you have filed Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return for 2013, please provide a copy of the Extension form and a copy of your 2012 Federal Tax Return.**

*Please submit your documents by U.S. Postal Service, by fax, or scanning and emailing the requested documents to the Senior Auditors in charge of this review. You may also bring them in person to our office located on the 5<sup>th</sup> Floor of the Ulster County Building:*

**Address for Mailing:**

Office of the Ulster County Comptroller  
ATT: HEALTH BENEFITS AUDIT UNIT  
P.O. Box 1800  
Kingston, NY 12402

**Address for Drop-offs:**

Office of the Ulster County Comptroller  
244 Fair Street, 5<sup>th</sup> Floor  
Kingston, NY 12401

**Other Delivery Methods:**

Fax: (845) 340-3697  
[sber@co.ulster.ny.us](mailto:sber@co.ulster.ny.us)  
[ewer@co.ulster.ny.us](mailto:ewer@co.ulster.ny.us)

**IMPORTANT:**

- Employees/ Retirees should submit **photocopies** of documents. Original documents should **not** be submitted and will be shredded to protect confidentiality.
- All required documents **MUST** include date and/or year and all applicable dependent names.
- On tax forms, please black out first 5 digits of all social security number (leaving only the last four numbers visible), as well as any income information.
- If you are covering a step-child you must also provide documentation of your current relationship to your spouse as requested above.
- Please submit your documents no later than April 30, 2014.

*It is crucial that employees/retirees understand the importance of responding to this notice. Protecting your privacy and personal information is a priority of our Office, and all confidential information will be secured. Eligibility for benefits depends upon proof of eligibility.*

Sample 1040:

For the year Jan. 1–Dec. 31, 2013, or other tax year beginning \_\_\_\_\_, 2013, ending \_\_\_\_\_, 20

Your first name and initial: **JOHN** Last name: **DOE** Your social security number: **██████████ 6 7 8 9**

If a joint return, spouse's first name and initial: **JANE** Last name: **DOE** Spouse's social security number: **██████████ 4 3 2 1**

Home address (number and street). If you have a P.O. box, see instructions. **244 FAIR STREET** Apt. no. **5**

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions). **KINGSTON, NEW YORK, 12401**

Foreign country name \_\_\_\_\_ Foreign province/state/country \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Presidential Election Campaign**  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

**Filing Status**

1  Single  
 2  Married filing jointly (even if only one had income)  
 3  Married filing separately. Enter spouse's SSN above and full name here. ▶  
 4  Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶  
 5  Qualifying widow(er) with dependent child

Check only one box.

**Exemptions**

6a  Yourself. If someone can claim you as a dependent, do not check box 6a.  
 b  Spouse

c Dependents:		(2) Dependent's social security number	(3) Dependent's relationship to you	(4) <input checked="" type="checkbox"/> if child under age 17 qualifying for child tax credit (see instructions)
(1) First name	Last name			
██████████	██████████	██████████	██████████	<input type="checkbox"/>
██████████	██████████	██████████	██████████	<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

If more than four dependents, see instructions and check here

d Total number of exemptions claimed **2**

**Boxes checked on 6a and 6b**  
 No. of children on 6c who:  
 • lived with you  
 • did not live with you due to divorce or separation (see instructions)  
 Dependents on 6c not entered above  
 Add numbers on lines above ▶ **2**

**Income**

7 Wages, salaries, tips, etc. Attach Form(s) W-2 **7** ██████████

8a Taxable interest. Attach Schedule B if required **8a** ██████████

b Tax-exempt interest. Do not include on line 8a **8b** ██████████

9a Ordinary dividends. Attach Schedule B if required **9a** ██████████

b Qualified dividends **9b** ██████████

10 Taxable refunds, credits, or offsets of state and local income taxes **10** ██████████

11 Alimony received **11** \_\_\_\_\_

12 Business income or (loss). Attach Schedule C or C-EZ **12** ██████████

13 Capital gain or (loss). Attach Schedule D if required. If not required, check here  **13** \_\_\_\_\_

14 Other gains or (losses). Attach Form 4797 **14** \_\_\_\_\_

15a IRA distributions **15a** ██████████ **b Taxable amount** **15b** ██████████

16a Pensions and annuities **16a** ██████████ **b Taxable amount** **16b** ██████████

17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **17** \_\_\_\_\_

18 Farm income or (loss). Attach Schedule F **18** \_\_\_\_\_

19 Unemployment compensation **19** \_\_\_\_\_

20a Social security benefits **20a** \_\_\_\_\_ **b Taxable amount** **20b** \_\_\_\_\_

21 Other income. List type and amount **21** \_\_\_\_\_

22 Combine the amounts in the far right column for lines 7 through 21. This is your total income ▶ **22** ██████████

**Adjusted Gross Income**

23 Educator expenses **23** \_\_\_\_\_

24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ **24** \_\_\_\_\_

25 Health savings account deduction. Attach Form 8889 **25** \_\_\_\_\_

26 Moving expenses. Attach Form 3903 **26** \_\_\_\_\_

27 Deductible part of self-employment tax. Attach Schedule SE **27** \_\_\_\_\_

28 Self-employed SEP, SIMPLE, and qualified plans **28** ██████████

29 Self-employed health insurance deduction **29** ██████████

30 Penalty on early withdrawal of savings **30** \_\_\_\_\_

31a Alimony paid **b Recipient's SSN** ▶ ██████████ **31a** ██████████

32 IRA deduction **32** \_\_\_\_\_

33 Student loan interest deduction **33** \_\_\_\_\_

34 Tuition and fees. Attach Form 8917 **34** \_\_\_\_\_

35 Domestic production activities deduction. Attach Form 8903 **35** \_\_\_\_\_

36 Add lines 23 through 35 **36** \_\_\_\_\_

37 Subtract line 36 from line 22. This is your adjusted gross income ▶ **37** ██████████

## **Ulster County Dependent Eligibility Audit Frequently Asked Questions:**

**1. Why is Ulster County conducting a dependent eligibility verification audit?**

Ulster County is conducting the dependent eligibility verification audit to make sure that only eligible dependents receive health benefits. The County has a fiduciary responsibility to manage health care costs and to ensure that health plans offered through the County cover only those who meet the eligibility criteria. Proper management of the program helps ensure that eligible participants can continue to be offered the appropriate benefits.

**2. What about the privacy of my information? How can I be sure that confidentiality is maintained?**

This audit has a very specific purpose, as stated above, and the verification information will be used only for this purpose. Your privacy is very important to us and protecting your privacy and personal information is a priority of our Office. Submit **ONLY** photocopies of documents. With respect to tax returns, you will be asked to **black out any other information on the relevant pages other than the specific information sought, including the first 5 digits of your social security number, leaving only the last 4 digits shown. Furthermore, all documents will be destroyed by shredding once the necessary information has been verified.** Original documents should **NOT** be submitted and will **NOT** be returned. **An example of how page 1 of your 1040 should be submitted is included for reference.**

**3. Who is considered an eligible dependent?**

The Ulster County Employee Benefit Booklet which is provided annually during open enrollment and to all new hires defines eligible dependents for Ulster County Health Insurance coverage as a spouse, natural child, step child, or legally adopted child. That booklet also lets members know that verification of eligibility may be required.

**4. What documents do I need to submit to verify the eligibility of my dependent(s)?**

You will need a legal document that shows your relationship to any person you cover as a dependent. This will be determined by your relationship to the dependent, and may include the documents requested in the letter you received.

**5. How do I submit my documents for the audit?**

Please submit your documents and information via U.S. Postal Service, Fax, Email, or in person by stopping by our office located on the 5<sup>th</sup> floor of the Ulster County Building. Please address your documents to the attention of the Health Benefits Audit Unit.

**6. Who must complete the dependent eligibility verification audit?**

All employees and retirees who have a dependent enrolled in the County's Health Benefits Program must complete and return the required documentation.

**7. I provided dependent documentation when I originally enrolled my dependent(s) under my County health plan. Do I still need to submit a copy for the audit?**

Yes. The County has the right to ask for continued proof of dependent eligibility. Over long periods of time, circumstances may change, and recordkeeping and administrative oversight requires updating as well as performance auditing to ensure proper controls. These controls and verifications benefits all County taxpayers.

**8. What is the authority of the Ulster County Comptroller's Office to conduct this Dependent Eligibility Audit?**

In order to protect the taxpayers of Ulster County, our Office is charged by the County Charter with the ability and obligation to audit any program of County government.

**9. What will happen if I do not return the required documentation?**

A listing of employees who fail to comply will be generated and provided to the appropriate officials.

**10. What if I did not file my 2013 Federal Tax Return yet?**

If you did not file your 2013 Federal Tax Return and instead filed form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, please submit a photocopy of this document and your 2012 Federal Tax Return as a supplement.

**11. Whom can I contact for more information?**

You may contact either:

Samantha Bertolozzi, Senior Auditor  
(845) 340-3554  
[sber@co.ulster.ny.us](mailto:sber@co.ulster.ny.us)

Elizabeth Weredyk, Senior Auditor  
(845) 340-3530  
[ewer@co.ulster.ny.us](mailto:ewer@co.ulster.ny.us)