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January 19, 2011

Dr. Bernard P. Pierorazio, Superintendent of Schools  
Members of the Board of Education  
Yonkers City School District  
One Larkin Center  
Yonkers, NY 10701

Report Number: S9-10-32

Dear Superintendent Pierorazio and Members of the Board of Education:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

In accordance with these goals, we conducted an audit of 20 school districts throughout New York State. The objective of our audit was to determine whether school districts have adequate internal controls over the payment of health insurance for retirees; specifically, to determine if school districts have made health insurance payments for retirees or their spouses and/or dependents where eligibility has been precluded by death. We included the Yonkers City School District in this audit. Within the scope of this audit, we examined the policies and procedures of the Yonkers City School District and reviewed internal controls over retiree health insurance payments for the period July 1, 2008 to May 31, 2010.

This report of examination letter contains our findings and recommendations specific to the Yonkers City School District (District). We discussed the findings and recommendations with District officials and considered their comments, which appear in Appendix A, in preparing this report. At the completion of our audit of the 20 school districts, we prepared a global report that summarizes the significant issues we identified at all of the school districts audited.

## **Summary of Findings**

We found that the District has implemented procedures to reduce the risk of paying premiums on behalf of deceased retirees and dependents, and the District's internal controls ensure the accuracy and appropriateness of the District's payments of health insurance premiums for its retirees and their spouses/dependents.

Our comparison with the Social Security Administration's Death Master File found that the District had not made payments on behalf of any deceased retirees during our audit period.

## **Background and Methodology**

The Yonkers City School District (District) is located in the City of Yonkers, in Westchester County. The District is governed by a nine-member Board of Education (Board). The Board is responsible for establishing District policies, including policies for the payment of health insurance for retirees. The Assistant Superintendent for Finance oversees the District's daily fiscal operations including the payment of health insurance invoices. The District has forty schools in operation and employs approximately 3,828 staff. The District provides health insurance coverage to its current and retired employees. Approximately 99 surviving spouses are entitled to health insurance coverage for which they pay the total premium. The District pays the entire premium for the remaining 3,468 retired employees, spouses, and dependents entitled to health insurance coverage. The District's total health insurance expenditures were \$58,108,404 for the 2008-09 fiscal year and \$56,554,921 for the 2009-10 fiscal year through May 31, 2010.

The District provides health insurance to its retirees by offering the New York State Health Insurance Program (NYSHIP). The District pays monthly premiums to NYSHIP for each active and retired employee, the cost of which depends on whether the individual is enrolled in individual or family coverage. For retirees, the District provides such coverage based on marital status and/or dependent survival status. If a retiree passes away, the retiree's surviving spouse and/or dependents are entitled to continued coverage as long as the spouse pays 100 percent of the premiums.<sup>1</sup> The District provided a list of 3,567 retirees, spouses and dependents who receive health insurance coverage from the District. Of these, 3,468 do not contribute to the cost of their health insurance coverage because the District has contractually agreed to pay 100 percent of individual coverage. The remaining 99 individuals are surviving spouses that reimburse the District for the cost of their premiums.

The Death Master File (DMF) from the Social Security Administration (SSA) is a database that contains over 87 million records of deaths that have been reported to SSA. The SSA maintains this list from information received directly from vital records in each state, personal contact with surviving family members, and other notices. The purpose of compiling this list is to ensure that all those receiving Social Security benefits are in fact entitled and are not deceased. For audit purposes, we obtained the DMF as of August 23, 2010.

We interviewed various District officials to determine the District's procedures for verifying ongoing health insurance eligibility for its retirees and their spouses and/or dependents. We also reviewed employee contracts, health insurance general ledger reports, health insurance invoices,

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<sup>1</sup> Surviving spouses of central office administration do not contribute towards their health insurance.

and other supporting documentation. Our audit procedures included steps using the DMF to determine if the District was paying health insurance premiums for individuals whose eligibility was precluded by death.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **Audit Results**

School districts should design controls to ensure that all payments to health insurance providers are accurate. These controls should include a process to determine the status both of retirees and of their dependents, particularly since family coverage is significantly more expensive than individual coverage. In addition, the routine reconciliation of the provider invoices with the District's records helps to ensure that payments are accurate.

The District has implemented procedures to reduce the risk of paying premiums on behalf of deceased retirees and dependents, and the District's internal controls help ensure the accuracy and appropriateness of its insurance premium payments for retirees. Surviving spouses of retirees who contribute toward their health insurance are notified annually as to what the monthly payment will be, and pay the District by check monthly, with a few paying semi-annually, prior to the month of service. This creates a control over the continued eligibility of these surviving spouses;<sup>2</sup> that is, the receipt of payment from the surviving spouse confirms that they are still living. District officials also maintain records of payments received and follow up with surviving spouses for payment when needed.

The District is also proactive in the process to ensure being promptly notified of retirees' and dependents' deaths or changes in eligibility. The Board passed a resolution in July 2006 requiring that on January 1 of each year, the District sends a letter to each retiree requesting an update to personal information. The resolution states that the letter will include a provision that a reply must be received within 30 days, and indicates various procedures to follow-up with retirees if a response is not received. The most recent letter was sent on January 1, 2010. The letter requests information on the retiree, the spouse and dependent children. District officials stated that if they do not receive a response to the first letter, a second letter will be sent 45 to 60 days after the first letter was sent. If no response is received to the second letter in 30 days, the District makes follow-up phone calls. District officials stated that they were always able to contact retirees. In addition to these written guidelines, District officials also receive notification of deceased retirees from spouses or children, the health insurance provider, and through review of the local obituary.

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<sup>2</sup> Surviving spouses of central office administration do not contribute towards their health insurance.

We compared a list of all retirees and their spouses and/or dependents who receive District-provided health insurance, as of June 2010, to the DMF. We found that the District did not pay premiums for deceased retirees during our audit period.

Sincerely,

Steven J. Hancox  
Deputy Comptroller  
Office of the State Comptroller  
Division of Local Government  
and School Accountability

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following page.



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Fax 914 376-8584  
bpierorazio@yonkerspublicschools.org

November 15, 2010



**Bernard P. Pierorazio**  
Superintendent of Schools

Local Government and School Accountability  
Office of the State Comptroller  
295 Main Street – Rm. 1032  
Buffalo, New York 14203-2510

**Report Number S9-10-32**

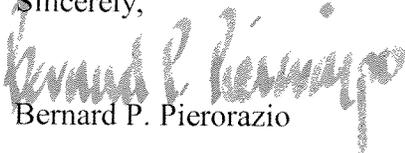
Dear 

We have reviewed your findings and recommendations concerning policies, procedures and internal controls over retiree health insurance payments, specific to the Yonkers City School District.

We agree with the findings of the Office of the State Comptroller, that the District has implemented procedures to reduce the risk of paying premiums on behalf of deceased retirees and dependents. You have accurately described the proactive steps taken by the District, from the daily review of obituaries through the annual retiree update letter.

It is pointed out in the report draft that three retirees have family coverage based on dependent children whose eligibility cannot be verified because the District does not have social security numbers for these dependents. While we are confident of their eligibility based on other criteria, we are in the process of gathering their social security numbers. The New York State Health Insurance Program permits dependent children to be enrolled without social security numbers, but we will take steps to complete this information for all dependents in order to facilitate thorough audits in the future.

Sincerely,

  
Bernard P. Pierorazio

BPP/ke

- c: Paresh Patel, President  
and Members of the Board of Education
- Joseph Bracchitta
- Stanley Bronski
- Sheryl Chasin