
**Thomas P. DiNapoli
COMPTROLLER**



Audit Objective..... 2

Audit Results - Summary..... 2

Background..... 2

**Audit Findings and
Recommendation 3**

Primary Enrollees 3

Eligible Dependents..... 4

Recommendation 5

Audit Scope and Methodology..... 5

Authority 5

Reporting Requirements..... 5

Contributors to the Report 6

Appendix A - Auditee Response 7

**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**NEW YORK STATE BRIDGE
AUTHORITY**

**ELIGIBILITY FOR HEALTH
INSURANCE COVERAGE**

Report 2008-S-55

AUDIT OBJECTIVE

The objective of our audit was to determine whether the New York State Bridge Authority (Authority) is enrolling only eligible people in the New York State Health Insurance Program (NYSHIP), which is administered by the New York State Department of Civil Service (Department).

AUDIT RESULTS - SUMMARY

NYSHIP provides health insurance coverage to active and retired State employees and their dependents. NYSHIP also provides coverage for other participating employers, including the Authority. We reviewed information from NYSHIP, as well as personnel folders and other documentation retained by the Authority, to determine whether individuals receiving health insurance coverage through the Authority were eligible under Department and Authority guidelines.

Based on our review of the personnel folders for a judgmental sample of 71 primary enrollees, we concluded that the Authority is enrolling into NYSHIP only individuals who are current or retired employees and their surviving spouses. We also found that the Authority notifies the Department in a timely fashion when employees leave the payroll. As a result, the Authority does not pay health insurance premiums for individuals who leave service, other than retirees who wish to continue their coverage.

The Authority, however, does not always obtain sufficient documentation from its employees to demonstrate that individuals being enrolled as their dependents qualify under Department rules. Since the Authority does not always ensure that enrollees provide sufficient proof when enrolling dependents, it is possible that the Authority enrolls ineligible individuals.

Our audit report contains one recommendation to improve controls over the enrollment of dependents. Authority officials agreed with our recommendation and are taking steps to implement it.

This report, dated July 17, 2008, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The Department administers NYSHIP on behalf of State agencies and other participating employers. Civil Service Law and Regulations specify the standards that participating employers must comply with regarding eligibility for their employees and retirees who wish to enroll in NYSHIP, as well as the requirements for covering dependents such as spouses, children, and other individuals. Participating employers also have the flexibility to establish their own policies within certain areas of NYSHIP, such as a length-of-service requirement to be eligible for health insurance coverage in retirement and the employer/employee/retiree contribution ratios.

Each participating employer has one or more Health Benefits Administrators, who are responsible for handling the actual enrollment process, as well as updates when an employee's circumstances change. The Department oversees the entire health insurance coverage process, including paying the insurance carriers for all covered individuals and billing the participating employers for these individuals. During State fiscal year 2007-08, NYSHIP covered more than 1 million primary enrollees and their

dependents, including 232,000 employees and retirees of participating employers. The yearly cost of the program is approximately \$6 billion.

The Authority, a public benefit corporation created by statute in 1932, operates and maintains five toll bridges that cross the Hudson River (the Rip Van Winkle, near Catskill; the Kingston-Rhinecliff, near Kingston; the Franklin D. Roosevelt Mid-Hudson, at Poughkeepsie; the Hamilton Fish Newburgh-Beacon, linking the cities of Newburgh and Beacon; and the Bear Mountain, located five miles north of Peekskill). During 2007, the Authority provided health insurance coverage through NYSHIP to 147 employees, 62 retirees, 16 surviving dependents, and 250 dependents, for a total of 475 individuals.

We reviewed information from the Department, as well as personnel folders and other documentation retained by the Authority, to determine whether individuals receiving health insurance coverage through the Authority were eligible under Department and Authority guidelines.

AUDIT FINDINGS AND RECOMMENDATION

Primary Enrollees

Primary enrollees in NYSHIP include Authority employees, retirees, and surviving dependents. The Authority allows both full-time and part-time employees to enroll in NYSHIP. Eligibility begins after six months of uninterrupted satisfactory service. Retirees are required to have at least ten years experience working at an entity that participates in NYSHIP, with at least eight years of that with the Authority. A surviving dependent must be the spouse of a deceased employee of the Authority who was enrolled

in NYSHIP at the time of the spouse's death and had at least ten years of service.

We selected for review a judgmental sample of 71 primary enrollees from the 238 primary Authority enrollees who had coverage between April 2005 and November 2007. These 71 primary enrollees included 67 employees and retirees and 4 surviving dependents. Some of these individuals were no longer enrolled in NYSHIP at the time of our site visit. However, all of them had been enrolled in NYSHIP at some point during our audit scope.

We requested the personnel folders for all 71 primary enrollees. The Authority was able to provide us with all but one folder. Authority officials were unable to locate one personnel folder related to a deceased employee. For the 70 personnel folders we were able to review, we found a copy of 1 or more Board resolutions regarding personnel actions (hiring, promotion, retirement) for all 70 primary enrollees. Based on our testing, we conclude that the Authority is enrolling only employees, retirees, and surviving dependents for health insurance coverage, not independent contractors, individuals on retainer, or others who do not qualify for health insurance.

When an employee leaves Authority employment - even if the individual goes to another participating employer - the Authority's Health Benefits Administrator should update that information in the Department's New York Benefit Eligibility and Accountability System (NYBEAS), so that the Authority is no longer billed for that individual's health insurance premiums.

One Health Benefits Administrator is responsible for updating NYBEAS for the Authority. Our tests showed this person is updating NYBEAS timely when an Authority

employee leaves Authority employment. In addition, the Authority annually receives a report from the Department listing all individuals receiving health insurance through the Authority. The Authority reviews this listing to ensure that only its employees are enrolled. The Department provided us with a download of individuals who had health insurance between April 1, 2005, and November 30, 2007. We verified that all the individuals enrolled in NYSHIP through the Authority were employed by the Authority.

According to the Civil Service Law, a public authority may provide health insurance coverage through NYSHIP to unpaid Board members who have served at least six months in their positions. In February 2007, the State Attorney General's Office issued a clarifying opinion stating that an uncompensated Board member of a public authority may enroll in NYSHIP, but the public authority may not pay any part of the health insurance premiums for such Board member, as that premium payment would be considered compensation. The enabling legislation for the Authority (Public Authorities Law, Title 2, § 527) states that its Board members serve without salary or other compensation. Therefore, the Authority should not pay the health insurance premiums for any Board member who is enrolled in NYSHIP.

We did not find any Authority Board member enrolled in NYSHIP as a primary enrollee. However, one Board member is enrolled in NYSHIP appropriately as the spouse (dependent) of an Authority employee.

Eligible Dependents

The Department requires certain documentation as evidence that an individual is a dependent eligible for health insurance coverage. Required documentation can take the form of marriage certificates for spouses,

birth certificates for children, and certain other required legal forms related to special situations like domestic partnerships and adoptions.

In August 1999, the Department issued a guidance memo directing all Health Benefits Administrators to retain copies of these supporting documents on file for all dependents enrolled in NYSHIP on or after September 1, 1999, to ensure that only eligible individuals were enrolled as dependents. Prior to this time, Health Benefits Administrators were expected to obtain and retain only a completed enrollment form, not proof of eligibility.

The current NYSHIP enrollment form (revised in October 2006) includes a statement to be signed by the employee, authorizing salary deductions for health insurance premiums. The form also states that the information provided is accurate and that failure to provide the required proof of eligibility may result in a delay in the availability of health benefits for themselves or any dependents.

The Department relies on the Health Benefits Administrators at each employer participating in NYSHIP to ensure that only eligible individuals are enrolled. We found that the Health Benefits Administrator for the Authority does not require employees to provide proof when enrolling dependents. As a result, there is an increased risk that ineligible individuals are being enrolled.

Of the 71 primary Authority enrollees we reviewed, 54 had family coverage. These 54 primary enrollees covered a total of 151 dependents, all of whom were either spouses or children. Under Department guidelines on eligibility, a spouse includes any legal spouse, even if separated from the employee. However, the Department does not consider a

common-law spouse or a divorced spouse to be eligible for NYSHIP. A child includes a natural, adopted, foster, or step-child.

Of the 151 spouses and children enrolled in NYSHIP from our sample, 73 had been enrolled prior to September 1, 1999. We found signed and completed enrollment forms for all 73 dependents. For the 78 spouses and children enrolled on or after September 1, 1999, we found appropriate documentation for only 46. The remaining 32 either had no documentation at all or had only an enrollment form signed by the employee. Since the Authority does not always ensure that enrollees provide sufficient proof when enrolling dependents, it is possible that the Authority enrolls ineligible individuals.

Recommendation

1. Require employees to provide supporting documentation when enrolling dependents in NYSHIP and maintain a copy in the personnel folders.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited the Authority's enrollment of individuals and their dependents in NYSHIP for the period April 1, 2005, through February 14, 2008.

To accomplish our audit objective, we reviewed State laws and regulations regarding participation in NYSHIP, including requirements for enrollment of primary enrollees and their dependents. We also reviewed Authority guidelines regarding health insurance, including eligibility requirements for employees, retirees, and dependents. In addition, we interviewed Authority officials and staff to identify the policies and procedures in place for

processing initial enrollments and enrollment changes.

We obtained a list of all 238 primary Authority enrollees and their dependents who received health insurance coverage between April 2005 and November 2007. From that list, we selected a judgmental sample of 71 primary enrollees and their 151 dependents, for a total of 222 individuals. We reviewed the personnel folders at the Authority to determine how each individual in our sample initially qualified for coverage, whether the documentation supporting that qualification was sufficient, and whether the individual still appeared to be eligible or was no longer enrolled in NYSHIP.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5, of the State Constitution and Section 2803 of the Public Authorities Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to Authority officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chairman of the New York State Bridge Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal

committees, advising what steps were taken to implement the recommendation contained herein, and if the recommendation was not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Houston, John Buyce, Greg Petschke, Jennifer Paperman, Sharon Salembier, Ray Barnes, W Sage Hopmeier, Richard Podagrosi, Andre Spar, and Dana Newhouse.

APPENDIX A - AUDITEE RESPONSE



DAVID A. PATERSON
GOVERNOR, NEW YORK STATE

GEORGE C. SINNOTT
Executive Director

JAMES J. BRESNAN
Deputy Executive Director

BOARD MEMBERS

JAMES P. SPROAT
Chairman

RODERICK O. DRESSEL
Vice Chairman

ROBERT P. CARTER

RICHARD A. GERENTINE

THOMAS J. MADISON, JR.

WALTER A. PARADIES

DAVID A. TEATOR, JR.

CARL G. WHITBECK, JR.
General Counsel
436 Union Street
Hudson, NY 12534
(518) 828-9444

BRIDGES

RIP VAN WINKLE
P.O. Box 286
Catskill, NY 12414
518-943-2360

KINGSTON-RHINECLIFF
P.O. Box 1400
Kingston, NY 12402
845-336-8181

MID-HUDSON
P.O. Box 1010
Highland, NY 12528
845-691-7221

NEWBURGH-BEACON
P.O. Box 28
Beacon, NY 12508
845-831-3700

BEAR MOUNTAIN
P.O. Box 323
Ft. Montgomery, NY 10922
845-446-4721

NEW YORK STATE BRIDGE AUTHORITY

June 16, 2008

Mr. Gregory Petschke
Office of the State Comptroller
110 State Street
Albany, NY 12236-0001

Re: Draft Audit Report
Audit Report 2008-S-55
NYSHIP Eligibility Audit

Dear Mr. Petschke:

Thank you for the opportunity to comment on the above referenced draft audit report.

The Authority agrees with the audit's one recommendation. In fact, the Authority has always required documentation proving dependent eligibility, though copies of such have not always been placed in personnel folders. We are now providing a notice to all new enrollees informing them that dependent coverage will not be allowed without dependent documentation. We have also determined whether the employees hired after March 1999 have the required documentation and if it is lacking we are attempting to procure the documents.

We would like, once again, to thank you and your staff for your guidance.

Sincerely,

A handwritten signature in black ink that reads "George C. Sinnott".

GEORGE C. SINNOTT
Executive Director

JRS/lr

Administration Fax:
845-691-3560

P.O. Box 1010, Highland, New York 12528
Telephone: 845-691-7245
www.nysba.state.ny.us

Engineering Fax:
845-691-7914