

FRONTIER CENTRAL SCHOOL DISTRICT



INTERNAL CONTROL SYSTEM TESTING

HEALTH INSURANCE BENEFITS

For the period from
July 1, 2020-October 31, 2021

FRONTIER CENTRAL SCHOOL DISTRICT



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FRONTIER CENTRAL SCHOOL DISTRICT



INTRODUCTION

In June, 2015, we issued a risk assessment report to the District, which was based primarily on a series of interview sessions we held with District personnel, as well as some testing focused on the operation of District's internal controls. The objective of the risk assessment update was to gain an understanding of how management identifies, analyzes, and takes action to address risks relevant to the District's financial reporting and compliance objectives. Our assessment considered the District's control environment, along with the specific controls currently in place at the system level.

The report we are now issuing describes the specific testing we performed during December 2021, along with the results of that testing and our recommendations.

AREA TESTED

- Health Insurance Benefits

FRONTIER CENTRAL SCHOOL DISTRICT



HEALTH INSURANCE BENEFITS

FRONTIER CENTRAL SCHOOL DISTRICT



HEALTH INSURANCE BENEFITS

Procedure 1: Retired Employees

We selected five retired employees who retired during July 1, 2020 through October 31, 2021 and verified retiree was correctly set up in system for health insurance during the month following retirement.

Results:

For sample tested, the employees who retired during July 1, 2020 through October 31, 2021 were correctly set up in the system for health insurance during the month following their retirement. Proper documentation was maintained, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

Procedures 2: Health Insurance Bill

We selected ten retirees from July 1, 2020 through October 31, 2021 health insurance bill and verified benefits received were consistent with employment contracts and election status.

Results:

For the sample tested, the benefits received were consistent with their employment contract and election status, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

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HEALTH INSURANCE BENEFITS (CONTINUED)

Procedure 3: Change in Coverage for Retirees

We obtained a schedule of retirees who received health insurance benefits from period of July 1, 2020 through October 31, 2021 and their contribution towards health insurance each month. We selected five retirees who had a change in coverage or change in District share of contribution and reviewed supporting documentation to substantiate change.

Results:

For the retirees tested, we were able to obtain and review the change forms related to the selected retirees and trace them to the support to substantiate the change, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

Procedure 4: Retirees

We selected a sample of ten retirees from the October 31, 2021 health insurance bill and verified retiree was appropriately billed for their share of contribution. For the amounts billed for 10 retirees, we also traced the cash receipt (retiree contribution) into the bank statement and verified that it was appropriately applied against the retiree's account balance.

Results:

For sample tested, we verified that retirees were billed for their share of health insurance contribution and the amount was traced to the bank statement, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

Procedure 5: COBRA

We selected a sample of five employees who were on COBRA during the period from July 1, 2020 through October 31, 2021 and verified proper forms were completed and employee reimbursement was appropriately received.

Results:

For the testing period, there was only 1 employee who was on COBRA. For the 1 employee, we reviewed that proper forms were completed and the amount of the reimbursement was traced to the cash receipt, deposit slip, and bank statement, without exception. The reimbursement amount was deemed appropriate and received within the following month, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

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HEALTH INSURANCE BENEFITS (CONTINUED)

Procedures 6: New Hires

We selected a sample of five new employees of the District during the period from July 1, 2020 through October 31, 2021 and verified proper forms were completed and the employee was appropriately set up in the District's accounting system.

Results:

For the sample tested, we verified that the employees completed a new employee form and health insurance benefits form. We were also able to trace health insurance elections to the District's accounting system, nVision, without exception.

Recommendations:

No recommendation related to this procedure are being made at this time.

Procedures 7: Former Employees

We selected a sample of five former employees who left the District during the period from July 1, 2020 through October 31, 2021 and verified they were removed from the monthly health insurance bill during the month after departing from the District.

Results:

For the sample tested, all former employees were removed from the District's health insurance plan during the month after departing from the District.

Recommendations:

Because this area has financial exposure to the District, we recommend that the District develop a process whereby, a report is provided to the Director of Finance on a periodic basis, which demonstrates that former employees were removed from the District's plan in a timely manner. This report could then be agreed to Board minutes, etc. to verify its accuracy.

FRONTIER CENTRAL SCHOOL DISTRICT



HEALTH INSURANCE BENEFITS (CONTINUED)

Procedures 8: Election Status Change

We selected five employees who had their election status changed during the period from July 1, 2020 through October 31, 2021 and verified proper forms were completed.

Results:

For the sample tested, employees had completed proper forms which included the election status change form and their election status forms tied to the correct change in coverage.

Recommendations:

No recommendation related to this procedure are being made at this time.

Procedure 9: Employee Health Insurance

We selected a sample of five employees with health coverage on the July 31, 2021 billing and determined that the employee's contribution towards health insurance was appropriately withheld from payroll.

Results:

For sample tested, we reviewed the election status change form for each employee and determined that they were completed properly and agreed to the reasoning for the change, without exception.

Recommendations:

No recommendations related to this procedure are being made at this time.

Procedure 10: Reconciliation of Employees/Retirees on Record

Determined whether the District performs a reconciliation of health insurance bills to employee/retirees currently on record. If so, review the reconciliation for reasonableness.

Results:

The District maintains comprehensive worksheets in excel that details all employees and retirees that are on the District's health insurance plans. These worksheets are matched against monthly health insurance bills each month and periodically compared with payroll records by the Senior Account Clerk Typist responsible for the administration of health insurance benefits.

Recommendations:

We recommend that reconciliations performed by Senior Account Clerk Typist are documented to evidence their completion. To strengthen internal controls, the reconciliations should be provided to the Director of Finance at least quarterly for his review.

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HEALTH INSURANCE BENEFITS (CONTINUED)

Procedure 11: Flexible Spending / Health Savings

We selected a sample of five employees that participate in the flexible spending/ health insurance savings account. We verified that the amount withheld from payroll agrees to their election form.

Results:

For the employees tested, we reviewed the election form and traced the employee's elected contribution amount to the payroll withholdings report, without exception. The flexible spending/health savings plan is being administered by a third-party and therefore we did not review expenditure claims.

Recommendations:

No recommendation related to this procedure are being made at this time.

Procedure 12: Employees Who Did Not Participate in Health Insurance

We selected a sample of five employees that did not participate in the health insurance program during the period from July 1, 2020 through October 31, 2021 and obtained documentation to verify they either opted out of coverage or were not eligible for coverage.

Results:

For the employees tested, we reviewed and verified that each were eligible for coverage and that they waved their option to participate in the health insurance program, without exception.

Recommendations:

No recommendations for this procedure are being made at this time.

Procedure 13: General Ledger Accounts

We reviewed the District's general ledger accounts for health insurance, payroll withholdings and retiree contributions during the period from July 1, 2021 through October 31, 2021 and determined whether the accounting for deduction and contributions are reasonable.

Results:

We reviewed the health insurance premiums account, payroll withholdings account, and retiree contributions account within the general ledger and verified that the sequence of transactions appeared reasonable, without exception.

Recommendations:

We recommend that the District establish a formal procedure whereby someone independent of those responsible for health insurance benefits and payroll, review withholding accounts on a regular basis throughout the year for reasonableness and periodically compare such transactions to worksheets prepared by the Senior Account Clerk Typist. This review should be documented.

FRONTIER CENTRAL SCHOOL DISTRICT



CONCLUSION



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HEALTH INSURANCE BENEFITS

CONCLUSION

Overall, the District's processes in the area of health insurance benefits appear to be well developed and operating effectively. The Senior Account Clerk Typist has developed written procedures which outline processes performed throughout the fiscal year. The procedures are listed sequentially based on when they are required to be completed during the year. The processes are primarily performed by one individual and therefore segregations of duties could be enhanced.

The following is a listing of suggestions that could strengthen the District's controls:

Removal of Former Employees

- The District should develop a process whereby a report is provided to the Director of Finance on a periodic basis which demonstrates that former employees were removed from the District's plan in a timely manner. This report could then be agreed to Board minutes, etc. to verify its accuracy.

Reconciliation of General Ledger Accounts

- The District should establish a formal procedure whereby someone independent of those responsible for health insurance benefits and payroll, review withholding accounts on a regular basis throughout the year for reasonableness and periodically compare transactions to worksheets prepared by the Senior Account Clerk Typist. This review should be documented.

Reconciliation of Tracking Worksheets

- Reconciliations of the tracking worksheets to the health insurance bills and payroll reports performed by Senior Account Clerk Typist should be documented to evidence their completion. Reconciliations should be provided to the Director of Finance at least quarterly for his review.

Receiving Payments

- Payments received by retirees are directed to the Senior Account Clerk Typist. Once received, payments are compared to the tracking worksheets and then provided to the Treasurer for deposit. We recommend that payments be directed to the Treasurer who is responsible for depositing all cash for the District, rather than to the Senior Account Clerk Typist. Copies of the checks or a report that outlines information contained on the checks could then be provided by the Treasurer to the Senior Account Clerk Typist.

Establishing Monthly ACH Withdrawals

- The Senior Account Clerk Typist is responsible for establishing monthly (automatic) ACH withdrawals from retirees for their contribution towards health insurance, which represents the majority of payments by retirees. The District should consider having someone independent of the Senior Account Clerk Typist be responsible for establishing ACH withdrawals.

We recognize that the District has been subjected to audit procedures by numerous sources, including external audits, internal audits, internal claims audits, and state audits. Each of these audits and risk assessments result in listings of recommended projects to improve internal controls within the District and reduce risk. We are cognizant that many of these initiatives require time commitments and realize it is not feasible for the District to immediately dedicate resources to address all of these areas of concern. With that being said, the District should consider developing a written plan or matrix that prioritizes and schedules these areas as to when each would be addressed. This plan should take into consideration the District resources, both financial and personnel available to address these issues, along with the level of potential risk. The various auditors of the District may be able to provide assistance in developing this prioritization. The prioritization should also receive input from the Audit Committee who would be responsible for oversight and monitoring to ensure the initiatives are appropriately addressed in accordance with targets.

FRONTIER CENTRAL SCHOOL DISTRICT



Our goal is to assist the District in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and the governance process. We would be happy to further discuss any of the items contained within this report with the audit committee and management of the District

We look forward to continuing to serve you as your Internal Auditors.