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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**NEW YORK STATE  
THRUWAY AUTHORITY  
AND NEW YORK STATE  
CANAL CORPORATION**

**ELIGIBILITY FOR HEALTH  
INSURANCE COVERAGE**

**Report 2008-S-50**

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## AUDIT OBJECTIVE

The objective of our audit was to determine whether the New York State Thruway Authority and its subsidiary, the New York State Canal Corporation, are 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 for active and retired State employees and their dependents. NYSHIP also provides coverage for other participating employers, including the New York State Thruway Authority and its subsidiary, the New York State Canal Corporation. There is a single Health Benefits Administrator who handles NYSHIP enrollments, changes, and disenrollments for both entities (hereafter referred to as 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 were eligible under Department and Authority guidelines.

Based on our review of the personnel folders for a judgmental sample of primary enrollees, we concluded that the Authority enrolls into NYSHIP only individuals who are current or retired employees. However, we also found that the Authority does not always obtain sufficient documentation from its employees to demonstrate that individuals enrolled as dependents qualify under Department rules. Since it does not always ensure that employees provide appropriate proof when enrolling dependents, it is possible that the Authority enrolls ineligible individuals.

In January 2008, at the start of our audit field work, we found that the Authority was inappropriately paying health insurance premiums for its uncompensated Board members. We brought this to the attention of Authority officials, and they have changed their policy. Beginning in March 2008, the Authority will require uncompensated Board members who wish to enroll in NYSHIP to pay the entire monthly health insurance premium. This brings the Authority into compliance with an opinion issued by the Attorney General's Office in February 2007. Between February 2007, when the Attorney General's Office issued its opinion, and March 2008, the Authority paid health insurance premiums totaling \$51,667 for four current uncompensated Board members and one former uncompensated Board member.

Finally, we found 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 are eligible to continue their coverage.

Our report contains two recommendations to Authority officials to correct the problems we identified during our audit. Authority officials generally agreed with our recommendations and indicated they have taken steps to implement them.

This report, dated July 31, 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, 11<sup>th</sup> 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 the 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 maintains the State's superhighway system to provide motorists with a safe driving environment. The Authority, through its subsidiary, the New York State Canal Corporation, is also responsible for the State's four historic canals. During 2007, the Authority provided health insurance coverage through NYSHIP to 3,489 employees, 1,394 retirees, 158 surviving

dependents, and 5,223 dependents, for a total of 10,264 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 RECOMMENDATIONS

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### *Primary Enrollees*

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Primary enrollees in NYSHIP include Authority employees, retirees, Board members, and surviving dependents (spouses). To qualify for NYSHIP coverage as an employee of the Authority, an individual must be a part-time or full-time employee. Eligibility begins on the first of the month following the month of hire. Retirees are required to have had at least five years of employment at an entity that participates in NYSHIP, with at least one year of that time with the Authority, to be enrolled. A surviving dependent must be the spouse of a deceased Authority employee who had at least ten years of employment and who was enrolled in NYSHIP at the time of death. According to the Civil Service Law, the Authority may also provide health insurance to Board members who have served at least six months in their position.

We selected a judgmental sample of 74 primary enrollees who were enrolled in NYSHIP between April 2005 and November 2007, where the Authority was the employer of record. This sample included 65 employees and retirees, 5 surviving dependents, and 4 Board members. 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.

For all but three of these individuals, we reviewed the personnel folder maintained by the Authority to determine whether they had been eligible for enrollment in NYSHIP at the time of enrollment. For the 71 primary enrollees for whom personnel folders were available, we determined that the individual was either an employee or a Board member of the Authority at the time of enrollment or was a qualified dependent of an employee, in the case of surviving dependents.

The personnel folders for three individuals were not available at the time of our audit. All three were for persons who had left service with the Authority (retirees), but continued to be enrolled in NYSHIP. Because none of these individuals have had any activity with the Authority for at least six years, the personnel folders had been disposed of, in accordance with Authority policy.

The Authority should be paying health insurance premiums only on behalf of its current employees and retirees. When an individual leaves employment with the Authority - even if the individual goes to another participating employer - the Health Benefits Administrator should update the information in the Department's New York Benefit Eligibility and Accountability System (NYBEAS) so that the Authority is no longer billed for that person's health insurance premiums.

The Department provided us with a download of individuals enrolled in NYSHIP between April 1, 2005, and November 30, 2007. Based on our testing of this data, we concluded that the Authority's Health Benefits Administrator is updating NYBEAS timely when Authority employees leave to

work elsewhere. As a result, the Authority does not continue to pay health insurance premiums for former staff.

As previously noted, the Authority may enroll Board members in NYSHIP if they have served at least six months in their position. However, in February 2007, the State Attorney General's Office issued a clarifying opinion that stated an uncompensated Board member of a public authority that participates in NYSHIP may enroll in NYSHIP, but the public authority may not pay any part of the premium, as that premium payment would be considered compensation. The enabling legislation for the Authority (Public Authorities Law § 352) states that its Board members serve without salary or other compensation. Therefore, the Authority should not pay the health insurance premiums for any Board members who are enrolled in NYSHIP.

As of January 2008, we found that the Authority was paying health insurance premiums on behalf of Board members enrolled in NYSHIP. After we brought this issue to the attention of Authority officials, they changed their policy. Starting in March 2008, the Authority would no longer pay any part of the health insurance premiums for uncompensated Board members. Any uncompensated Board member electing to enroll or continue existing NYSHIP coverage through the Authority would have to pay the Authority the entire health insurance premium amount.

Between February 2007, when the Attorney General's Office issued its opinion, and March 2008, the Authority paid health insurance premiums totaling \$51,667 for four current uncompensated Board members and one former uncompensated Board member. In addition, the Authority continued to pay health insurance premiums for a former Board

member who served when the Authority's Board was compensated. The Authority has requested a clarification from the Attorney General's Office on whether the February 2007 opinion covers this individual, since he was compensated for his time on the Authority's Board. In the meantime, the Authority will continue to pay the premiums for him.

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### *Eligible Dependents*

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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 requiring all Health Benefits Administrators to retain copies of these supporting documents 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 proofs of eligibility may result in a delay in the availability of health benefits for themselves or any dependents.

Of the 71 primary enrollees we reviewed, 59 had family coverage. These 59 primary enrollees covered a total of 173 dependents, including 48 spouses, 120 children, 1 domestic partner, and 4 other dependents.

Of the 168 spouses and children enrolled in NYSHIP from our sample, 81 were enrolled prior to September 1, 1999, and we found signed and completed enrollment forms for 74 of these. The remaining seven were dependents of employees who had transferred to the Authority from another participating employer. According to Authority officials, they do not require supporting documentation for dependents whose enrollment in NYSHIP pre-dates the employee's service with the Authority.

Of the 87 spouses and children enrolled after August 31, 1999, we found that 51 had sufficient documentation on file, but 26 (30 percent) either had no documentation or had only an enrollment form signed by the employee. The remaining ten were dependents of employees who had transferred to the Authority from another participating employer. In these latter cases, the Authority had not obtained supporting documentation from either the employee or the previous employer. Since it does not always ensure that employees provide appropriate proof when enrolling dependents, it is possible that the Authority enrolls ineligible individuals.

According to the *HBA [Health Benefits Administrator] Handbook for Participating State Employers* (HBA Handbook), issued by the Department in 1993, a participating employer is not required to offer coverage to domestic partners. The Authority does not extend coverage to domestic partners of its employees. However, we found one dependent coded in NYSHIP as a domestic partner. When we reviewed the personnel folder for the primary enrollee, we determined

this dependent was a spouse who was inadvertently entered into NYBEAS twice. When canceling the duplicate entry, the Health Benefits Administrator used the code for domestic partner (DP), thinking it meant duplicate entry. While the coverage overlapped between the two entries, the Authority incurred no additional cost, because family coverage includes an unlimited number of dependents.

In addition to a spouse, domestic partner, or child, a primary enrollee may include as a dependent any individual for whom the employee provides more than half the support each year. According to the HBA Handbook, the employee must provide court documentation or other evidence that the individual qualifies as a dependent of that employee for health insurance purposes.

Of the 59 primary enrollees in our judgmental sample who had family coverage, 4 enrollees had dependents coded as other than spouse or child. The personnel folders for each contained the required forms and documentation to demonstrate that the individual qualified as a dependent for health insurance purposes.

### **Recommendations**

1. Ensure that health insurance premiums for uncompensated Board members enrolled in NYSHIP are not funded by the Authority.
2. Require employees to provide supporting documentation when enrolling dependents 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 enrollment of individuals and their dependents in NYSHIP by the New York State Thruway Authority and its subsidiary, the New York State Canal Corporation, for the period April 1, 2005, through March 13, 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 primary enrollees and their dependents who received health insurance coverage during our audit period. From that list, we selected a judgmental sample of 74 primary enrollees and their 176 dependents, for a total of 250 individuals. We reviewed the 71 personnel folders at the Authority, which were available at the time of our site visit, 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

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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 Thruway 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 recommendations contained herein, and where recommendations were 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



John L. Buono  
Chairman

### **New York State Thruway Authority New York State Canal Corporation**

200 Southern Blvd., P.O. Box 189, Albany, NY 12201-0189

[www.nysthruway.gov](http://www.nysthruway.gov)



Michael R. Fleischer  
Executive Director  
TDD/TTY 1-800-253-6244

July 7, 2008

Mr. Frank J. Houston, Audit Director  
Division of State Government Accountability  
Office of the State Comptroller  
123 William Street, 21<sup>st</sup> Floor  
New York, NY 10038

Dear Mr. Houston:

New York State Thruway Authority (Authority) staff has reviewed the Office of the State Comptroller's (OSC's) draft audit report 2008-S-50 concerning the Authority and New York State Canal Corporation *Eligibility for Health Insurance Coverage*. The Authority's comments on the recommendations contained in the draft audit report are indicated below:

- Ensure that health insurance premiums for uncompensated Board members enrolled in the New York State Health Insurance Program (NYSHIP) are not funded by the Authority.

The draft audit report confirmed that only eligible employees, Board members and qualified dependents of an employee in the case of surviving dependents are enrolled in NYSHIP. Revisions to Authority policy regarding the funding of enrolled uncompensated Board members were addressed prior to the issuance of this draft audit report. Uncompensated Board members that elect to participate in NYSHIP are required to pay the full premium; therefore, this recommendation is unnecessary.

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

The draft audit report states that in some instances dependent documentation was lacking. However, the audit did not find any instances of ineligible employee dependents being enrolled in NYSHIP. The Authority has secured documentation for all dependents of employees identified by OSC as lacking documentation who continue to receive NYSHIP benefits through the Authority and will ensure that in the future, appropriate supporting dependent documentation is submitted and maintained in accordance with guidelines issued by the New York State Department of Civil Service.

If you need additional information, please contact Mr. Kevin Allen, Acting Director of Audit and Management Services, at (518) 436-2871.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Fleischer".

Michael R. Fleischer  
Executive Director

cc: John Buono, NYSTA Chairman  
Kevin Allen  
Tom Lukacs, DOB