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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  
HOUSING FINANCE  
AGENCY AND  
STATE OF NEW YORK  
MORTGAGE AGENCY**

**ELIGIBILITY FOR HEALTH  
INSURANCE COVERAGE**

**Report 2008-S-52**

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## AUDIT OBJECTIVE

The objective of our audit was to determine whether the New York State Housing Finance Agency (HFA) and its affiliated agency, the State of New York Mortgage Agency (SONYMA), 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 HFA and SONYMA. HFA and SONYMA employ one Health Benefits Administrator who handles NYSHIP enrollments, changes, and disenrollments for both entities. We reviewed information from NYSHIP, as well as personnel folders and other documentation retained by HFA and SONYMA, to determine whether individuals receiving health insurance coverage were eligible under Department and HFA and SONYMA guidelines.

Based on our review of the personnel folders for a sample of primary enrollees, we concluded that HFA and SONYMA are enrolling only eligible employees and Board members into NYSHIP. However, based on our review of the personnel folders for the sampled primary enrollees who have family coverage, we found HFA and SONYMA do not obtain sufficient documentation from these enrollees to demonstrate that individuals enrolled as their dependents qualify under Department rules.

We found that HFA and SONYMA notify the Department in a timely fashion when employees leave the payroll. As a result,

HFA and SONYMA do not pay health insurance premiums for individuals who leave service, other than retirees who wish to continue their coverage. We also verified that HFA and SONYMA no longer pay health insurance premiums for their uncompensated Board members, which is prohibited by law. Instead, Board members who wish to enroll in NYSHIP must pay the entire amount of the health insurance premium.

Our audit report contains two recommendations to improve controls over enrollment of dependents. Agency officials agreed with our recommendations and are taking 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 enrollee'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.

HFA, a public-benefit corporation, was formed to create and preserve high-quality affordable multifamily rental housing that serves communities across New York State. It offers financing to developers to encourage the construction and preservation of affordable housing.

SONYMA, an affiliate of HFA, was created to alleviate shortages of funds available in the private banking system for residential mortgages within New York State. Its programs are geared to first-time home buyers of owner-occupied, one- to four-unit residences that meet eligibility criteria established by SONYMA and by applicable Federal law.

During 2007, HFA and SONYMA provided health insurance coverage through NYSHIP to a total of 237 employees, 76 retirees, 7 surviving dependents, and 339 dependents, for a total of 659 individuals.

We reviewed information from the Department, as well as personnel folders and other documentation retained by HFA and SONYMA, to determine whether individuals receiving health insurance coverage through

HFA and SONYMA were eligible under Department, HFA, and SONYMA guidelines.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

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### *Primary Enrollees*

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Primary enrollees in NYSHIP include HFA and SONYMA employees, retirees, Board members, and surviving dependents (spouses). According to HFA and SONYMA policy, to be enrolled in NYSHIP an individual must be a full-time employee or an intern. Retirees are required to have had at least five years of employment (all with either HFA or SONYMA) to be enrolled. A surviving dependent must be the spouse of a deceased employee of either HFA or SONYMA who was enrolled in NYSHIP at the time of the spouse's death. According to the Civil Service Law, HFA and SONYMA may provide health insurance to unpaid Board members who have served at least six months in their position.

We selected a sample of 39 primary enrollees who had coverage through either HFA or SONYMA between April 2005 and November 2007. These 39 primary enrollees included 31 employees, 6 Board members, and 2 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.

For each of these individuals, we reviewed the personnel folder and other documentation maintained by HFA and SONYMA to determine whether they had been eligible for enrollment in NYSHIP at the time of enrollment. For employees (current, retirees, terminated, or deceased), we verified that they had been an employee of either HFA or

SONYMA. For Board members, we verified that they had served on the Board of either entity. For surviving dependents, we verified that their deceased spouse had been an employee of either HFA or SONYMA.

Based on the results from our examination of this sample of primary enrollees, we conclude that HFA and SONYMA are enrolling only eligible individuals for health insurance coverage.

HFA and SONYMA should be paying health insurance premiums only on behalf of its current employees or retirees. When an individual leaves HFA or SONYMA employment - 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 HFA and SONYMA are no longer billed for that person's health insurance premiums.

There is one Health Benefits Administrator who handles updating NYBEAS for both HFA and SONYMA. Our tests showed this person is updating NYBEAS timely when an employee's circumstances change. We therefore concluded that HFA and SONYMA are paying only those health insurance premiums related to current eligible employees and retirees, and not those for individuals who have left for employment elsewhere.

As previously noted, HFA and SONYMA may enroll unpaid Board members in NYSHIP if they have served at least six months in their position. In February 2007, at the request of the head of SONYMA, the Attorney General's Office issued a clarifying opinion that stated an uncompensated Board member of a public authority (such as HFA and SONYMA) 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.

Both the enabling legislation for HFA (Private Housing Finance Law § 43) and SONYMA (Public Authorities Law § 2403) state that the Board members of these entities serve without salary or other compensation. Therefore, neither HFA nor SONYMA should be paying the health insurance premiums for any Board members who are enrolled in NYSHIP.

As of January 2008, only one of the seven HFA Board members was enrolled in NYSHIP. Of the nine SONYMA Board members, only three were enrolled in NYSHIP. Prior to the Attorney General's opinion, other members were enrolled. When the Attorney General's opinion was issued, HFA and SONYMA began requiring their Board members to pay their entire health insurance premiums. These four individuals choose to remain enrolled. Based on our testing, it appears that neither HFA nor SONYMA is currently paying health insurance premiums on behalf of Board members.

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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

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 statement 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.

Of the 39 primary enrollees we reviewed, 32 had family coverage. These 32 primary enrollees covered a total of 87 dependents, including 75 spouses and children, 3 domestic partners, and 9 other dependents. From our review of personnel folders, we found HFA and SONYMA did not have the required proof that most of these individuals were eligible dependents.

Of the 75 spouses and children enrolled in NYSHIP from our sample, 39 had been enrolled on or after September 1, 1999. We found that HFA and SONYMA did not retain copies of the required supporting documentation for any of these 39 dependents.

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. If it does, however, the Department requires certain forms and other documentation as evidence that a domestic partnership exists. Under Department

guidelines on eligibility, a domestic partnership consists of two individuals who are at least 18 years old, not related by marriage or blood, residing together, involved in a committed relationship, and mutually financially-interdependent. The Health Benefits Administrator for HFA and SONYMA stated they offer coverage to domestic partners and retain all required documentation. Of the 39 primary enrollees we reviewed, 3 had domestic partners enrolled in NYSHIP. We found that each of their personnel folders contained the required documentation for enrollment.

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 32 primary enrollees in our sample who had family coverage, three enrollees had a total of nine dependents coded as "other." Of the nine dependents, two were enrolled prior to September 1, 1999. We found that HFA and SONYMA did not retain the required supporting documentation for six of the seven "other" dependents enrolled on or after September 1, 1999. In addition, three of these seven dependents were miscoded in NYBEAS. We found they were actually step-children of the enrollee and so should have been coded simply as children. Based on available documentation, we could not determine whether the other dependents were miscoded as well.

## Recommendations

1. Require employees to provide appropriate proof when enrolling dependents, in accordance with NYSHIP guidelines.
2. Review the documentation for dependents coded as “other” and correct any that are miscoded, including those identified in this report.

## AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We audited HFA and SONYMA enrollment of individuals and their dependents in NYSHIP for the period April 1, 2005, through January 18, 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 HFA and SONYMA guidelines regarding health insurance, including eligibility requirements for employees, retirees, and dependents. In addition, we interviewed HFA and SONYMA officials and staff to identify the policies and procedures in place for processing initial enrollments and enrollment changes.

We obtained a list of all 820 primary enrollees and their dependents who received health insurance coverage through HFA and SONYMA during our audit period. From that list, we selected a judgmental sample based on risk factors identified by the audit team of 39 primary enrollees and their 87 dependents, for a total of 126 individuals. We reviewed the personnel folders at HFA and SONYMA 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 HFA and SONYMA 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 President of the Housing Finance Agency and the State of New York Mortgage Agency shall report to the Governor, the State Comptroller, and the

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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, Adele Banks, Ray Barnes, W Sage Hopmeier, Richard Podagrosi, Slamon Sarwari, Andre Spar, and Dana Newhouse.

## APPENDIX A - AUDITEE RESPONSE



State of New York Mortgage Agency  
New York State Housing Finance Agency  
New York State Affordable Housing Corporation

July 7, 2008

Mr. Frank J. Houston  
Office of the State Comptroller  
Division of State Government Accountability  
123 Williams Street, 21<sup>th</sup> Floor  
New York, New York 10038

Dear Sir:

The following is the Agencies' response to the findings in draft report (2008-S-52) entitled "Eligibility for Health Insurance Coverage". We have reviewed the contents of the report and intend to implement the recommendations.

Recommendation 1:

Require employees to provide appropriate proof when enrolling dependents, in accordance with NYSHIP guidelines.

Agency Response:

Management agrees with this recommendation. Although we are confident that the dependents enrolled in NYSHIP by our health benefits administrator have met eligibility requirements, it is true that the Agencies' did not require the employee to provide proof of the relationship. Effective immediately, employees will be required to produce proof of relationship prior to enrollment in NYSHIP. Once eligibility has been established, the Agencies' will require the employee and health benefits administrator to sign a form identifying the type of documentation provided and to certify its legitimacy rather than maintain a copy on file.

Recommendation 2:

Review the documentation for dependents coded as "other" and correct any that are miscoded, including those identified in this report.

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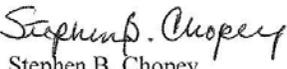
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Agency Response:

Management has reviewed the NYS Department of Civil Service Reconciliation Listing for Agencies Report as of 5/31/08, to identify dependents that are listed in the "other" category. The results of our examination disclosed that only two employees, having a total of three dependents, were classified as "other". We reviewed the supporting documentation, which included the PS457, IRS tax returns, etc., and determined that the dependents were correctly coded. Furthermore, we noted that the three dependents identified in your draft report as having been improperly coded on the system, have become of age and are no longer insured under the NYSHIP Program.

Management would like to thank the staff of OSC for the professional manner in which they conducted their examination.

Sincerely,

  
Stephen B. Chohey  
Vice President  
Internal Audit Group