

Village of Hancock

Insurance Withholdings

OCTOBER 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

- Report Highlights 1**

- Insurance Withholdings 2**
 - How Should Officials Collect Health Insurance Payments? 2

 - Officials Did Not Properly Calculate Health Insurance Withholdings 2

 - What Do We Recommend? 5

- Appendix A – Response From Village Officials 6**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services 8**

Report Highlights

Village of Hancock

Audit Objective

Determine whether the Village of Hancock (Village) officials ensured insurance premium contributions were accurately calculated and collected.

Key Findings

Village officials did not ensure that insurance premium contributions were accurately calculated and collected.

- Employee insurance contributions were not calculated correctly and the Clerk-Treasurer (Clerk) did not enforce the collection of retiree health insurance contributions, resulting in underpayments totaling \$19,689.
- There was no formal Village Board (Board) action to support the contribution rates for dental insurance.
- Four employees overpaid a total of \$1,400 because the Clerk and Deputy Clerk Treasurer (Deputy) did not adjust deductions for plan changes timely.
- Two retirees overpaid a total of \$477 for health insurance.

Key Recommendations

- Provide oversight over the Clerk and Deputy to ensure the withholdings are calculated correctly and retroactive payments are collected.
- Reconcile monthly insurance invoices with withholdings to ensure that appropriate amounts are collected.
- Consult with the Village's attorney to determine whether officials should seek reimbursement for the underpayments or reimburse employees for overpayments due to retroactive adjustments.

Village officials generally agreed with our recommendations and indicated that they plan to take corrective action.

Background

The Village, located in Delaware County, is governed by an elected five-member Board, which consists of the Village Mayor (Mayor) and four Board members. The Board is responsible for the general oversight of the Village's operations and finances.

The Mayor is the chief executive officer responsible for the day-to-day management under the Board's direction, including supervision of the Clerk and Deputy.

The Clerk and Deputy are responsible for calculating and collecting health, dental and optional insurance payments and submitting them to the appropriate vendors.

Quick Facts

Health Insurance Cost	\$663,867
-----------------------	-----------

Health Insurance Participants

Employees	11
-----------	----

Retirees	19
----------	----

Audit Period

June 1, 2018 – December 31, 2021

Insurance Withholdings

How Should Officials Collect Health Insurance Payments?

Villages can provide employees and retirees with insurance benefits. Contracts or board actions address these benefits and generally determine the amounts that an employee or retiree contribute to the cost of these benefits. Officials should design controls to ensure all withholdings and payments for insurance benefits are accurate and agree to the board-approved rates. These controls should include a process for verifying the amount of withholdings for each employee. In addition, the routine reconciliation of provider invoices with the village's records helps to ensure payments are accurate.

Officials Did Not Properly Calculate Health Insurance Withholdings

The Clerk calculates the employee and retiree health insurance premium contributions based on the annual health insurance cost letters received from the Village's insurance companies and the Board-adopted contribution rates. The Deputy enters the employee's insurance deductions into the payroll software program. The Clerk sends annual letters to the retirees notifying them of their payment amounts and due dates. The Clerk maintains a spreadsheet documenting the retirees' payments with dates and amounts paid. However, the Clerk's health insurance calculations for employee contributions were not based on the specific language for contributions established by the Board. As a result, employees underpaid for health insurance. Furthermore, there was no formal Board action (i.e., Board resolution) or other documentation to support the employee and retiree contributions for dental insurance.

Health and Dental Insurance – During the audit period, the Board adopted health insurance contribution resolutions that required employees to contribute 13 percent of the total monthly cost for individual coverage or 23 percent for family/double coverage. The Clerk and Deputy told us that employees are responsible for 50 percent of the total monthly cost of dental insurance. However, we were not provided with Board actions or other supporting documentation to support the provision of dental insurance and the rate that employees are required to pay. Furthermore, the Board members we spoke with were uncertain whether the Village offered dental insurance and referred us to the Clerk.

We reviewed the health and dental insurance contributions of all 11 employees for the audit period. While dental insurance was calculated in accordance with what we were told, the Clerk did not calculate employee health insurance contributions in accordance with the Board resolutions. As a result, nine employees underpaid a total of \$14,953 (Figure 1) and two employees overpaid a total of \$284.

Figure 1: Health Insurance Underpayments

Employee	Employee Responsibility	Payroll Deductions	Balance Due From Employees
1	\$15,759	\$12,681	\$3,078
2	1,670	1,647	23
3	14,792	10,682	4,110
4	6,658	5,539	1,119
5	11,224	9,411	1,813
6	4,268	4,262	6
7	4,872	3,953	919
8	7,486	6,764	722
9	20,803	17,640	3,163
Totals	\$87,532	\$72,579	\$14,953

The Clerk told us that she calculated family/double contributions by combining the individual contributions with 23 percent of the difference between the individual and family/double premiums. However, this calculation method did not correspond with the Board-approved contributions, and we were not provided any Board action to corroborate the Clerk’s calculations (Figure 2). Additionally, when employees changed from individual to family/double plans or from family/double to individual plans, the Clerk and Deputy did not adjust the contributions in a timely manner to reflect the retroactive adjustments (from fractions of a month to three months), resulting in inaccurate health insurance withholdings. As a result, four employees overpaid a total of \$1,400 and three employees underpaid a total of \$1,062. For example, one employee changed to a family plan beginning in October 2021 but was not charged the family plan rate until December 2021, resulting in underpayments totaling \$572.

Figure 2: Health Insurance Premium Contribution Comparison

Employee Premium Contribution Rates		
Coverage	Board Approved	Actual Used
2020-21		
Individual	\$1,197	\$1,197 ^a
Double	4,236	3,315 ^b
Family	6,036	5,115 ^c
2021-22		
Individual	\$714	\$714
Double	2,528	1,979
Family	3,602	3,053
a Individual Premium * 13%		
b [(Double Premium - Individual Premium) * 23%] + (Individual Premium * 13%)		
c [(Family Premium - Individual Premium) * 23%] + (Individual Premium * 13%)		

We talked to the Mayor and Board members regarding the insurance contributions adopted in the resolutions, and they could not tell us what the intent of the Board resolutions were and were not sure whether the Clerk was applying the contributions correctly. They referred us to the Clerk for an explanation on the application of the Board-adopted contributions.

We also recalculated health insurance contributions for all 19 retirees for the audit period and found that although they were properly calculated, they were not collected timely. As of December 31, 2021, 11 retirees had not paid insurance contributions totaling \$3,285 and two retirees overpaid \$477 for their insurance contributions. The Clerk and Deputy told us they did not realize the balances were outstanding. The Clerk and Deputy were on intermittent and extended leave during the audit period and, as a result, the outstanding balances were not properly monitored. Furthermore, the Mayor and Board did not implement additional oversight during their absences. Instead, the outstanding balances remained uncollected, and the Clerk began applying payments toward the new year's balance for each applicable retiree. As a result of our audit, the Clerk and Deputy told us they contacted retirees to follow up on outstanding balances. We verified that \$980 of the outstanding balance had been collected.

Other Insurance – Employees are responsible for paying 100 percent of the cost for optional insurance, such as cancer, hospital, disability and accident insurance. We reviewed the invoices for all eight employees receiving optional insurance and found that three employees underpaid a total of \$389 and five employees overpaid a total of \$478. The Clerk and Deputy told us this occurred because adjustments were not made timely in the payroll software program when employees added, changed or canceled their optional insurance plans.

Village officials did not properly calculate withholdings and collect payments for health, dental and other optional insurance for employees and retirees because there were no Board-adopted policies and inadequate procedures. Furthermore, the Board relied on the Clerk to properly apply insurance contributions; however, the Mayor did not review the Clerk's calculations to ensure they were made in accordance with the Board resolutions. When employee insurance contributions are not accurate, taxpayers could be paying more than necessary for employee and retiree insurance.

As a result of our audit, the Board adopted a new health insurance contribution resolution in April 2022 with language clarifying the procedure the Clerk had been using to calculate employee contributions.

What Do We Recommend?

The Board should:

1. Develop and adopt written policies and procedures for calculating and collecting health, dental and optional insurances.
2. Document, through Board action, the provision of dental insurance and the rate that employees are required to pay.
3. Consult with the Village's attorney to determine whether officials should seek reimbursement for the underpayments or reimburse employees for overpayments due to retroactive adjustments.

The Mayor should:

4. Provide oversight over the Clerk and Deputy to ensure the withholdings are calculated correctly and collected timely.

The Clerk and Deputy should:

5. Reconcile monthly insurance invoices with payroll withholdings to ensure the health insurance, dental insurance and optional insurance amounts are properly collected.
6. Ensure adjustments are made timely in the payroll software program when employees add, change or cancel health, dental and optional insurance plans and that retroactive charges are collected from employees and retroactive reimbursements are reimbursed to employees.
7. Reconcile monthly insurance invoices with retiree payments to ensure the health insurance and dental insurance amounts are properly collected.
8. Continue to collect outstanding retiree health insurance payments and apply a credit for those retirees that overpaid their insurance contribution.

Appendix A: Response From Village Officials

Village of Hancock
Incorporated 1888

Mayor

Carolann C. McGrath

Deputy Mayor

Shaun Shannon

Trustees

Jason Mead

Dawn Gotthardt

Dorothy Picozzi

Village Clerk-Treasurer

Phyllis Falsetta

Deputy Clerk Treasurer

Demi Travis

October 20, 2022

NYS Office of the State Comptroller
Binghamton Regional Office
44 Hawley Street –Room 1702
Binghamton, New York 13901

Re: OSC Audit – Village of Hancock

Dear Sir/Madam:

I have reviewed the Draft Audit Report and, after meeting with you, it is my opinion that the report, as presented, based on information that you reviewed, is correct.

It appears that the main problem was with the miscalculation of health benefit payments, for both full time employees and retired employees, which since has been explained. The correct wording explaining how benefits are calculated has been approved by the Board of Trustees and incorporated into our minutes and Employee Handbooks.

I, as the Mayor, will undertake to reconcile the monthly insurance invoices and will consult with our attorney as to how to handle overpayments and underpayment that previously had occurred. In addition, if any Retiree is behind in their payment they will be notified and appropriate action taken.

Very truly yours,

Carolann C. McGrath
Mayor

85 East Front Street, Hancock, New York 13783

Phone: 607-637-5341/Fax: 607-637-3698

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Mayor, Board members, Village officials and employees to gain an understanding of the process and controls for calculating, collecting and remitting health, dental and optional insurance withholdings.
- We recalculated all health insurance and dental insurance withholdings for our audit period based on monthly invoices to determine whether they were accurately calculated and collected.
- We examined all withholdings for optional insurance for the audit period and compared them to monthly invoices to determine whether they were accurately collected.

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.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

Serving: Broome, Chemung, Chenango, Cortland, Delaware, Otsego, Schoharie, Tioga,
Tompkins counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)