



COUNTY *of* LUZERNE

**P E N N S Y L V A N I A
ESTABLISHED 1 7 8 6**

OFFICE OF THE CONTROLLER

*Voluntary Short-Term Disability
Insurance Audit
For the Year 2017*

Michelle A. Bednar

Luzerne County Controller

Fieldwork Performed by:

Aaron A. Hojnowski

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Background:

Luzerne County offers short-term disability insurance to employees through an insurance provider; this is an elective benefit and is entirely funded by the employee via employee payroll deduction. Employees have a choice of a plan that starts on the eighth (8th) day of disability or a plan that starts on the fifteenth (15th) day of disability. Both plans cover up to twenty-six (26) weeks.

The cost of the plans is dependent on the age of the employee at the time of enrollment and the dollar value of the benefit. There is no increase in premium due to an employee getting older. The insurance will pay an employee a benefit up to sixty-six and two-thirds percent ($66\frac{2}{3}\%$) of their salary, ranging from \$150.00 to \$1,250.00 per week. The cost of the insurance increases as the dollar value of the benefit increases. For example, an employee earning a salary of \$19,500 a year can choose a benefit up to \$250.00¹ per-week or opt for a smaller weekly benefit for a lower cost.

Objective:

The purpose of auditing the Voluntary Short-Term Disability Income (VSTDI) Insurance program is to ensure each enrolled employee is billed the correct deduction for his or her benefit.

Scope:

This audit encompasses all enrolled employees, referred to as “enrollees” throughout this audit, and the payments being made in the VSTDI program for the year 2017.

Methodology:

The Controller’s Office compiled the following records:

- A. The County’s list of the VSTDI enrollees and payment amounts,
- B. The VSTDI cost breakdown provided to enrollees during open enrollment, and
- C. The insurance provider’s list of enrollees and corresponding payment amounts.

Once the Controller’s Office received the above information, we compared (A) the amounts paid by the enrollees to (B) the cost breakdown of the VSTDI plans. After that comparison was complete, we then compared (A) the County’s records to (C) the insurance provider’s records. The lists were reviewed to ensure they were identical to one another. All findings were noted and given to the County’s Benefits Coordinator for review. After the review, the Controller’s Office met with the Benefits Coordinator, while on a joint conference call with the insurance agent to review the findings to determine their validity.

General Findings:

The Controller’s Office found the following during the VSTDI audit:

¹ $\frac{(\$19,500 \times .666667)}{52 \text{ weeks}} = \250.00 per week

1. Two (2) enrollees were listed on the County's records, but not on the insurance records.
 - **Confirmed:** One (1) instance was the result of a coding error for deductions. The enrollee has long-term disability insurance, not short-term disability insurance. No money is owed.
 - **Confirmed:** One (1) instance was the result of an employee who did not choose disability insurance, yet they were charged for the insurance. A refund of \$12.46 was given to the employee.
2. Seven (7) enrollees were found to be listed on the insurance records, but not on the County's records.
 - **Confirmed:** Three (3) of the enrollees were removed from the County's insurance records, as the County no longer employs them. However, they were listed on the insurance company's list. This finding is not an error on the County's part but on the insurance company, as they did not remove them from their insurance listing. As there were no pay deductions; the County did not over pay.
 - **Confirmed:** One (1) enrollee is no longer listed on the County system, due to being transferred to the Levee department, where they have their own disability insurance.
 - **Confirmed:** The last three (3) enrollees were recently hired and were not eligible for VSTDI until one pay later than what was used by the Controller's Office for analysis.
3. One (1) enrollee was being overcharged for the insurance.
 - **Confirmed:** This error has since been corrected and overages have been returned to the enrollee. The enrollee was refunded \$0.70.
4. One (1) enrollee was possibly being undercharged.
 - **Correction to Finding:** The enrollee has been covered since 2014. The 2014 rates are lower than the current rate structure. The 2014 rates combined with the age freeze policy means the enrollee is being overcharged not undercharged.
 - **Confirmed:** A refund of \$9.92 was issued to the enrollee. This error was a result of an error in the insurance company's billing.

Conclusion:

Overall, the Controller's Office found that out of the 142 enrollees, there were eleven (11) findings, but only seven (7) actual errors. Of those errors, three (3) were monetary issues and four (4) were clerical. The clerical errors did not cause any loss to occur to the County or to employees and the monetary errors totaled \$23.11. The insurance provider's errors consisted of three (3) errors and one (1) monetary error. In total, the error rate is 4.9% and is within the standard margin of error used in modern statistical sampling methods.

Recommendation(s):

Based on this audit, the Controller's Office recommends a yearly review of all employee elective benefits, comparing enrollees and payments made by the enrollees to a corresponding list from the insurance provider. In addition, we believe a notice should be generated after open enrollment ends encouraging enrollees to double check their deductions to ensure no errors have occurred.

Please Note:

Luzerne County Home Rule Charter: Section 3.08 (C) 3

The audited entity shall respond in writing, specifying agreement with the audit findings and/or recommendations or the reasons for disagreement with the findings and/or recommendations, along with any plans and timetable for implementing remedies. The response shall be provided to the Controller within 14 days after the audited entity's receipt of the draft audit. The Controller shall include the audited entity's response in his/her final audit report.


Fourteen Days from the Audit date is: July 12, 2017

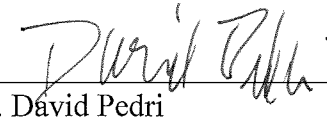
Please attach any additional written responses to the audit.

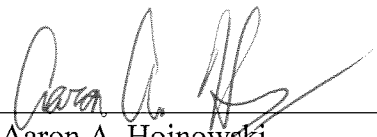
**Signature Page
VSTDI Audit
2017**

Luzerne County Controller's Office:

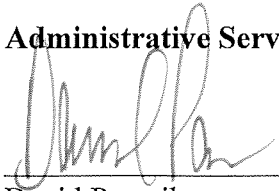
County Manager's Office:


 7/28/17
Michelle A. Bednar Date
Luzerne County Controller

 7/12/17
C. David Pedri Date
Luzerne County Manager

 7/20/17
Aaron A. Hojnowski Date
Deputy Controller

Administrative Services:

 7/18/17
David Parsnik Date
Division Head-Administrative Services

 7-18-2017
Necia Gazdziak Date
Benefits Coordinator

Audit of the Voluntary Short Term Disability Insurance (VSTDI)

This report was distributed to the following:

Mr. David Pedri	Luzerne County Manager
Ms. Linda McClosky Houck	County Council Chair
Mr. David Parsnik	Div. Head Admin. Services
Ms. Necia Gazdziak	Benefits Coordinator

This report is a matter of public record and is available online at <http://www.luzernecounty.org>, found under Audit Reports on the Luzerne County Controller's section of the website. A hardcopy is also available at the Luzerne County Controller's Office. Media questions about the report may be directed to the Luzerne County Controller's office at 20 North Pennsylvania Blvd., Suite 213, Wilkes Barre, PA 18701 or via email to Controllers.Office@luzernecounty.org.

LUZERNE COUNTY
HUMAN RESOURCES
ANGELA GAVLICK, DIRECTOR



LUZERNE COUNTY
COUNTY MANAGER
C. DAVID PEDRI, ESQUIRE

COUNTY of LUZERNE
P E N N S Y L V A N I A
E S T A B L I S H E D 1 7 8 6

To: Office Of The Controller

In response to the Voluntary Short-Term Disability Insurance Audit for the year 2017, I have reviewed the audit and offer the following comments:

Finding #1 – 2 enrollees listed on County records, but not on insurance records. Agree with finding that one error was a coding error and 2nd error required a refund of \$12.46 to one employee.

Finding #2 – 3 enrollees were removed from County insurance correctly, but the insurance company did not remove them from their list. One enrollee was transferred to the Levee department where they have their own insurance. I agree with these findings.

Finding 3 –Enroll was overcharged \$.70. This was corrected. Agree with finding.

Finding 4 –Enrollee was overcharged \$9.92. This error was confirmed to be error on the insurance company billing. Agree with this finding.

Based upon the recommendations of the audit Human Resources will send out notice after open enrollment encouraging enrollees to double check their deductions to ensure they are correct.
Human Resources will work on developing a schedule for internal auditing of benefit plans.

Sincerely,

Angela Gavlick
Director of Human Resources