CITY OF NEW YORK OFFICE OF THE COMPTROLLER John C. Liu COMPTROLLER

FINANCIAL AUDIT Tina Kim Deputy Comptroller for Audit



Audit Report on the Compliance of the Office of Labor Relations with the Medicare Part B Reimbursement Program

7111-085

August 19, 2011

http://comptroller.nyc.gov



THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER 1 CENTRE STREET NEW YORK, N.Y. 10007-2341

John C. Liu

August 19, 2011

To the Residents of the City of New York:

My office has audited whether the Office of Labor Relations had adequate internal controls, practices, and procedures to administer a City program to reimburse Medicare Part B insurance premiums to its retirees and eligible dependents. We audit programs such as the Medicare Part B Reimbursement Program as a means of ensuring agency compliance with City laws.

The audit found that the Office has adequate internal controls, practices, and procedures for calculating reimbursements and avoiding duplicate payments for the Medicare Part B Reimbursement Program. However, there were internal control deficiencies in ascertaining eligibility that led to the reimbursement of improper payments and one questionable payment totaling \$4,049, of which the Office agreed to recoup \$2,892.

The audit recommends that the Office review the date of death and Medicare Part B coverage status of all retirees, their spouses, and dependents before issuing reimbursement to ensure that all eligibility requirements are fulfilled and the amount of reimbursement is calculated accurately; ensure that retirees, eligible spouses, and dependents submit copies of Medicare cards showing the effective dates of coverage and all required documents for IRMAA reimbursement; and consider generating a periodic report to identify any reimbursement checks that have not been cashed.

The results of the audit have been discussed with Office officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

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The City of New York Office of the Comptroller Financial Audit

Audit Report on the Compliance of the Office of Labor Relations with the Medicare Part B Reimbursement Program

7I11-085

AUDIT REPORT IN BRIEF

In accordance with New York City Administrative Code Title 12, Chapter 1, Section 12-126, the City provides reimbursement of Medicare Part B insurance premiums to its retirees and eligible dependents. The New York City Office of Labor Relations (Office) administers various employee programs, including the Medicare Reimbursement Program.

To be eligible for reimbursement, City retirees must be enrolled in both Medicare Part B and a City health insurance program. Moreover, retirees must be receiving a City pension and reside in the United States. The Office performs a match of retirees against the Pension Payroll system and the Social Security Death Index (SSDI) to determine final eligibility. If a retiree is not receiving a pension at the time of the match or if the retiree is found on the SSDI, the reimbursement is not issued. The Office issues annual reimbursement checks in August that cover the prior calendar year (January through December).

For Calendar Year 2009, the Office processed Medicare Part B reimbursements totaling \$190,051,486 for 130,215 New York City retirees and dependents. Of this amount, \$189,695,481 for 130,090 retirees and spouses was processed through the Office's Premium Accounting Central Enrollment System (PACES), and \$356,005 for 125 retirees and their disabled dependents was processed manually. Additionally, the Office processed \$6,379,312 in Medicare reimbursements (Income-Related Monthly Adjustment Amount [IRMAA]) to 4,973 higher income retirees and their eligible dependents. Retiree and dependent information is maintained in the Office's PACES and LEGATO system.

Audit Findings and Conclusion

The Office has adequate internal controls, practices, and procedures for calculating reimbursements, matching retirees against the Pension Payroll system and the SSDI, and avoiding duplicate payments for the Medicare Part B Reimbursement Program. However, of a total of 274 reimbursement checks totaling \$592,834 reviewed, we identified internal control deficiencies in ascertaining eligibility that led to the reimbursement of improper payments and one questionable payment totaling \$4,049, as follows:

- \$2,892 in improper reimbursements to five retirees, two of whom had dependents who were terminated from Medicare and two of whom passed away during Calendar Year 2009. The remaining retiree passed away in December 2008 and was incorrectly reimbursed for two months during Calendar Year 2009. Office officials agreed to recoup the payments and have already recouped \$2,410 as of April 12, 2011.
- \$1,157 questionable payment to one of 25 retirees with foreign addresses.

In addition, the LEGATO system lacked copies of retiree Medicare cards for 37 of 150 cases (25 percent) reviewed. Maintaining all required Medicare cards in Office files is an important control to ensure that information about a retiree's Medicare coverage is valid and that a retiree is eligible to obtain reimbursement.

In a separate matter, we found that as a result of an anomaly in updating the Social Security Death Index, uncashed reimbursements totaling \$15,970 to four retirees who were deceased before Calendar Year 2009 were processed. In these cases, the Office was not responsible for the anomaly, and indeed, properly followed its policies and procedures by matching these retirees against the pension system and the SSDI. However, the SSDI did not properly reflect the actual dates that the retirees were deceased until December 2010.

Audit Recommendations

This report makes a total of five recommendations, including that the Office:

- Review the date of death and Medicare Part B coverage status of all retirees, their spouses, and dependents before issuing reimbursement to ensure that all eligibility requirements are fulfilled and the amount of reimbursement is calculated accurately.
- Ensure that retirees, eligible spouses, and dependents submit copies of Medicare cards showing the effective dates of coverage and all required documents for IRMAA reimbursement.
- Consider generating a periodic report to identify any reimbursement checks that have not been cashed.

Agency Response

In their response, Office officials stated that, ". . . while this audit has revealed minor procedural errors which OLR will address to ensure that they do not reoccur, OLR is pleased with the audit's findings and conclusion that our 'adequate internal controls, practices, and procedures for calculating reimbursements and avoiding duplicate payments for the Medicare Part B Reimbursement Program' achieved the very high degree of quality for which we aim."

Office officials agreed with four recommendations. The Office indicated that it was partially complying with our recommendation to "investigate the reasons for any uncashed checks or checks that have been returned" and generate "a periodic report to identify any reimbursement checks that have not been cashed."

INTRODUCTION

Background

The New York City Office of Labor Relations (Office) represents the City in conducting labor relations with City employee labor organizations. In addition, the Office administers various employee programs, including the Medicare Reimbursement Program. In accordance with New York City Administrative Code Title 12, Chapter 1, Section 12-126, the City provides reimbursement of Medicare Part B insurance premiums to its retirees and eligible dependents. Medicare Part B covers various medical services such as doctors' services and outpatient and home health care.

To be eligible for reimbursement of Medicare Part B premiums, City retirees must be enrolled in both Medicare Part B and a City health insurance program. Moreover, retirees must be receiving a City pension and reside in the United States. The Office performs a match of retirees against the Pension Payroll system and the Social Security Death Index (SSDI) to determine final eligibility. If a retiree is not receiving a pension at the time of the match or if the retiree is found on the SSDI, the reimbursement is not issued. The Office issues annual reimbursement checks in August that cover the prior calendar year (January through December).

For Calendar Year 2009, the Office processed Medicare Part B reimbursements totaling \$190,051,486 for 130,215 New York City retirees and dependents. Of this amount, \$189,695,481 for 130,090 retirees and spouses was processed by the Office in its mainframe computer system known as PACES (Premium Accounting Central Enrollment System), and \$356,005 for 125 retirees and their disabled dependents was processed manually. Additionally, the Office processed \$6,379,312 in Medicare reimbursements (Income-Related Monthly Adjustment Amount [IRMAA]) to 4,973 higher income retirees (who, per federal law, must pay a higher premium for Medicare Part B coverage) and their eligible dependents. The Office utilizes PACES to record New York City retiree information for determining eligibility and calculating reimbursements. The Office uses its LEGATO system to record copies of all documents that are required for reimbursement.

The Office also assists the Brooklyn and Queens Public Library systems and the City University of New York's Teachers Insurance and Annuity Association by submitting their reimbursement information as "pass-throughs" to Wells Fargo Bank or the New York City Comptroller's Office, the organizations that issue reimbursement checks. The Office conducts a match of "pass-through" recipients with the Social Security Death Index, but is otherwise not responsible for verifying their eligibility or calculating reimbursements.

Objective

The objective of the audit was to determine whether the Office had adequate internal controls, practices, and procedures to administer the Medicare Part B Reimbursement Program.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope of this audit was Calendar Year 2009.

To understand the requirements and internal control policies and procedures relevant to planning our audit, we obtained and reviewed copies of New York City Administrative Code, Title 12, Chapter 1, Section 12-126 that relates to health insurance coverage for City employees, persons retired from City employment, and dependents of such retirees; the Office's organization chart and descriptions of the tasks and responsibilities of the personnel involved in carrying out the Medicare Part B reimbursement program; and the Office's Policies and Procedures for the Medicare Part B Reimbursement Program.

To further understand Office procedures for verifying eligibility for Medicare Part B reimbursements, we interviewed the Director of the Employee Benefits Program, the Director of the Health Benefits Program, and a Computer Associate in the IT Systems Division.

To understand Office processes governing the reimbursement program, we conducted a walk-through of operations. We documented our understanding of the processes in a memorandum and created a flowchart of the steps involved in the reimbursement program based on our walk-through of the operations and the Office policies and procedures. We asked Office officials to review and confirm the accuracy of our flowchart and memorandum.

To verify the accuracy of reimbursements processed and to determine whether the Office complied with its policies and procedures and the Administrative Code for Medicare reimbursement, we requested from the Office a list of all New York City retirees for whom the Office processed reimbursements for Calendar Year 2009. We also requested a list of all "pass-through" reimbursements for Calendar Year 2009. According to the data, there were \$193,462,118 in reimbursements for 132,538 retirees in the main (130,215) and pass-through (2,323) populations. We analyzed the data to determine whether there were any duplicate social security numbers that could indicate duplicate reimbursements. In addition, we cross-checked the main population against the pass-through population for duplicates.

To validate the population data received from the Office, we asked our Information Technology Audit division to perform a match of: 1) the main and pass-through populations with the Social Security Death Index (SSDI) to determine whether retirees in the population receiving reimbursements had been deceased in Calendar Year 2009 and 2) the main population with the City's Payroll Pension Management System (PPMS) to verify whether retirees who received Medicare reimbursements also received a 1099-R statement that would indicate the receipt of City pension checks in Calendar Year 2009.¹

Of the main population of 130,215 retirees, 834 retirees were listed in the SSDI report as being deceased; 825 were deceased during Calendar Year 2009 and nine were deceased before Calendar Year 2009. Of the main population, 4,505 were not listed in the PPMS report as having obtained 1099-R statements. Accordingly, we conducted another examination by judgmentally sampling the first 30 of the 4,505 retirees and found that all 30 retirees did, in fact, receive pension checks in Calendar Year 2009. We also compared and analyzed the SSDI and PPMS lists to ascertain the number of retirees who were deceased and did not receive 1099-R statements in Calendar Year 2009. Of 834 retirees in the SSDI list, 826 did not receive a 1099-R statement.

To determine the reason for these discrepancies, we judgmentally sampled the first 30 retirees who were deceased during Calendar Year 2009. We reviewed data in the PACES and LEGATO systems to obtain the date of retirement, date of death (where applicable), marital status, spouse and dependent information, Medicare Part B effective dates, and payment information. Our review of the 30 retirees in our sample showed that these payments were correctly pro-rated to the retirees' deceased date. In addition, we reviewed information for all nine retirees whose date of death was prior to Calendar Year 2009. For the nine retirees reviewed, we found inconsistencies which we brought to the attention of Office officials on February 18, 2011. To determine whether retirees listed in the PPMS report were deceased, we asked the Comptroller's Information Technology Audit division to produce a pension check history report for the 30 retirees.

To determine whether reimbursements were made to retirees living outside of the United States, we sorted the population by mailing address and found that there were 25 retirees with a foreign address. We reviewed documentation for these 25 retirees.

We reviewed the PPMS and SSDI matches that the Office performed in 2010 to verify that Office officials did, in fact, perform these matches as outlined in its Policies and Procedures.

Tests of Reimbursement Payments

We selected for review a total of 274 reimbursement checks totaling \$592,834 from the population that were issued to retirees in various categories. Specifically, we sampled reimbursements issued to: 1) 30 retirees deceased during Calendar Year 2009 (as described above), 2) nine retirees deceased prior to Calendar Year 2009, 3) 25 retirees with a foreign address (as described above), 4) 59 retirees, spouses, and dependent(s), 5) six retirees with a spouse who is also a New York City retiree, 6) five deceased retirees in Calendar Year 2009 who received pension checks in Calendar Year 2009, 7) 30 retirees who did not receive a 1099-R statement according to the PPMS report (as described above), 8) 30 retirees only (no spouse or

¹ A 1099-R pension statement will not be generated under a retiree's name and social security number if the retiree was deceased for the entire period of CY 2009; however, if the retiree has a beneficiary and was deceased during CY 2009, then a 1099-R will be generated under the beneficiary's name and social security number.

dependent), 9) 30 retirees and spouse, and 10) 50 retirees in a higher income bracket. We verified that check amounts were accurate and were substantiated by documentation to validate each individual's eligibility. We reviewed data in the PACES and LEGATO systems to obtain dates of retirement, death (where applicable), marital status, spouse and dependent information, Medicare Part B effective dates, and payment information.

Finally, for 150 of 274 retirees, we reviewed the effective dates of Medicare Part B enrollments that were indicated in PACES and compared them with the dates indicated in the actual Medicare cards located in the LEGATO system to confirm Medicare enrollment dates.

Discussion of Audit Results

The matters covered in this report were discussed with Office officials during and at the conclusion of this audit. A preliminary draft report was sent to Office officials on April 26, 2011, and discussed at an exit conference held on May 5, 2011. On July 1, 2011, we submitted a draft report to Office officials with a request for comments. We received written comments dated July 8, 2011 from the Office.

In their response, Office officials stated that, ". . . while this audit has revealed minor procedural errors which OLR will address to ensure that they do not reoccur, OLR is pleased with the audit's findings and conclusion that our 'adequate internal controls, practices, and procedures for calculating reimbursements and avoiding duplicate payments for the Medicare Part B Reimbursement Program' achieved the very high degree of quality for which we aim."

Office officials agreed with four recommendations. The Office indicated that it was partially complying with our recommendation to "investigate the reasons for any uncashed checks or checks that have been returned" and generate "a periodic report to identify any reimbursement checks that have not been cashed."

The Office's full response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The Office has adequate internal controls, practices, and procedures for calculating reimbursements, matching retirees against the Pension Payroll system and the SSDI, and avoiding duplicate payments for the Medicare Part B Reimbursement Program. However, of a total of 274 reimbursement checks totaling \$592,834 reviewed, we identified internal control deficiencies in ascertaining eligibility that led to the processing of improper payments and one questionable payment totaling \$4,049, as follows:

- \$2,892 to five retirees, two of whom had dependents who were terminated from Medicare and two of whom passed away during Calendar Year 2009. The remaining retiree passed away in December 2008 and was incorrectly reimbursed for two months during Calendar Year 2009. Office officials agreed to recoup the payments and have already recouped \$2,410 as of April 12, 2011.
- \$1,157 questionable payment to one of 25 retirees with foreign addresses.

In addition, the LEGATO system lacked copies of retiree Medicare cards for 37 of 150 cases (25 percent) reviewed. For eight of 50 (16 percent) IRMAA cases reviewed, the system lacked one of two documents required for IRMAA reimbursement eligibility.

In a separate matter, we found that as a result of an anomaly in updating the Social Security Death Index, uncashed reimbursements totaling \$15,970 to four retirees who were deceased before Calendar Year 2009 were processed. In these cases, the Office was not responsible for the anomaly, and indeed, properly followed its policies and procedures by matching these retirees against the pension system and the SSDI. However, the SSDI did not properly reflect the actual dates that the retirees were deceased until December 2010.

These matters are discussed in detail below.

\$2,892 Overpaid to Retiree, Spouse, and Dependents

The Office improperly reimbursed three of 59 retirees (who received reimbursement covering the retiree, spouse, and dependent) \$2,313.60 even though, in these cases, spouses or dependents were either terminated from the Medicare system or were deceased during Calendar Year 2009. Additionally, one retiree was improperly reimbursed \$192.80 for an additional month and another was improperly reimbursed \$385.60 for two additional months during Calendar Year 2009. (See Table I on page 9.) Office Policies and Procedures state that, "The City reimburses its retirees (and their eligible dependents) annually for the monthly Medicare Part B premium paid by the retiree during the Calendar Year . . . Retirees also receive reimbursement for their Medicare eligible dependents provided that the dependent is enrolled in the Medicare plan and the Medicare Part A and Part B effective dates have been provided to the Health Benefits Program."

Clearly, the Office should ensure that reimbursements are made to eligible individuals only and for the period of time they are covered by Medicare Part B. On March 15, 2011, Office officials agreed to recoup the overpayments totaling \$2,313.60. On March 14, 2011, Office officials agreed to recoup the overpayment of \$192.80, and on March 16, 2011, Office officials agreed to recoup the overpayment of \$385.60. As of April 12, 2011, \$2,410 has been recouped; the remaining balance owed is \$482.

| Retiree # | Amount Overpaid | | Amount OLR has Agreed to Recoup | | Amount OLR has Recouped | | Cause |
|--------------|--------------------|----------|--|----------|-------------------------------|----------|--|
| | | | | | | | Payment should only cover the retiree and spouse because the |
| | | | | | | | dependent was dropped from coverage on 10/17/08. However, |
| 1 | \$ | 867.60 | \$ | 867.60 | \$ | 867.60 | reimbursement check was enough to cover three individuals. |
| | | | | | | | PACES shows that dependent was dropped on 7/1/09. However, the |
| 2 | \$ | 482.00 | \$ | 482.00 | | | dependent was reimbursed for the whole year. |
| | | | | | | | Retiree date of death was 2/15/09 and should have been reimbursed |
| 3 | \$ | 964.00 | \$ | 964.00 | \$ | 964.00 | for two months, but was reimbursed for the entire year. |
| | | | | | | | OLR staff member did not update PACES with termination date. |
| 4 | \$ | 385.60 | \$ | 385.60 | \$ | 385.60 | Retiree and spouse incorrectly reimbursed for additional two months. |
| | | | | | | | Retiree and spouse eligible for five months reimbursement but |
| 5 | \$ | 192.80 | \$ | 192.80 | \$ | 192.80 | received reimbursement for six months. |
| Totals | \$ | 2,892.00 | \$ | 2,892.00 | \$ | 2,410.00 | |

| <u>Table I</u> |
|--|
| Summary of Overpayments to Retiree, Spouse, and Dependents |

Recommendations

The Office should:

1. Recoup the remaining \$482 in ineligible reimbursements to retirees with spouse and/or dependents.

Office Response: "OLR will recoup the remaining \$482.00 from the one remaining retiree who was issued an overpayment."

2. Review the date of death and Medicare Part B coverage status of all retirees, their spouses, and dependents before issuing reimbursement to ensure that all eligibility requirements are fulfilled and the amount of reimbursement is calculated accurately.

Office Response: "With an error rate of less than one – half percent, it is fairly clear that OLR has endeavored to ensure that all reimbursements are accurate and appropriate. As indicated by the audit's findings, OLR does take considerable measures to ensure that only eligible retirees receive reimbursements. These instances were the result of human error,

and not the result of system deficiencies. Nevertheless, OLR will review its process in these types of cases to ensure that staff adheres to the guidelines."

Questionable Reimbursement to a Retiree with a Foreign Address

The Office may have improperly reimbursed \$1,156.80 to one of 25 recipients who resided outside the United States. Of the 25 retirees with a foreign address reviewed, we found that 16 of the 25 retirees resided in the United States during the reimbursement period and were therefore eligible for reimbursement; reimbursement checks to eight of the 25 retirees were not mailed out because these retirees did not reside in the United States during the reimbursement period and were therefore ineligible for reimbursement; and the residency status of the one remaining retiree is uncertain.

Office policies and procedures state that, "Retirees who reside outside of the United States are not eligible for Medicare as the City's Health Benefits Plans are the primary insurers for these retirees. Therefore, these retirees may not be eligible for Medicare Part B reimbursement if they did not reside in the United States during the reimbursement year."

We consider the documentation about the retiree's country of residence inconclusive. Therefore, we lack assurance as to the retiree's actual residence even though Office officials informed us that the information contained in the PACES system shows that the retiree resides at a New York address and is enrolled in a New York City health plan. However, information contained in the LEGATO system indicates that the retiree may have resided in Cairo, Egypt.

Recommendation

The Office should:

3. Ascertain the actual residence of the noted retiree. If the retiree does, in fact, reside outside the United States, recoup \$1,156.80 in improper reimbursements.

Office Response: "OLR has reviewed the information in the file of this noted retiree and finds no evidence that the retiree permanently resides outside of the United States. OLR considers this payment to have been properly made."

Auditor Comment: In our opinion, the file documentation we reviewed was inconclusive to substantiate the retiree's actual residence. Nevertheless, we acknowledge that the Office has subsequently conducted its own review of this matter and has concluded that the payment was properly made.

Missing Documentation

For 37 of 150 sampled cases (25 percent), copies of retirees' Medicare cards were not contained in the LEGATO system. According to Office Policies and Procedures, "As soon as the retiree is enrolled in Medicare, they must provide a copy of their Medicare card with their Part A and Part B effective date(s) to the Health Benefits Program. This information is entered into the retiree's record into PACES." Maintaining all required Medicare cards in Office files is an important control to ensure that information about a retiree's Medicare coverage is valid and that a retiree is eligible to obtain reimbursement.

Additionally, we found that for eight of 50 (16 percent) sampled IRMAA reimbursements, retirees did not submit one of two requisite documents to the Office (i.e., Social Security Administration Statement).² However, we note that, although this form was not submitted, information provided in the 1099 statements provided sufficient information by which to calculate the IRMAA reimbursements.

Recommendation

- 4. The Office should ensure that retirees, eligible spouses, and dependents submit:
 - copies of Medicare cards showing the effective dates of coverage.
 - all required documents for IRMAA reimbursement.

Office Response: "Although OLR could not locate physical copies of 37 Medicare cards, the Medicare coverage effective dates are obtained from copies of Medicare cards actually received from the retirees. OLR will take steps to make sure that all Medicare cards are scanned into the document scanning system, LEGATO. In addition, OLR will not process any IRMAA reimbursement without the required documents."

<u>Other Issue</u> <u>Problems with SSDI Updates</u>

In the course of our audit review, we identified an anomaly in SSDI updates, in which payments totaling \$15,970 for four of nine retirees who were deceased before Calendar Year 2009 were processed.³ (The payments to the four retires were \$4,601.10, \$3,435.60, \$4,497.60, and \$3,435.60 and were not cashed or were returned to the Office.) It is important to note that in these cases, the Office was not responsible for the anomaly, and indeed, properly followed its policies and procedures by matching these retirees against the pension system and the SSDI. For these four retirees, however, the pension system was still generating pension payments and the

² The two required documents are the social security statement (that must indicate the monthly Medicare Part B premium) and Form SSA-1099, which states what the retiree actually paid for Medicare Part B.

³ Two of the remaining five retirees were deceased during 2009. SSDI records were updated on the basis of death certificates. The other two retirees are not deceased; SSDI updated its records to indicate this fact. All four retirees were properly reimbursed by the Office. The remaining one retiree was deceased as of December 2008 and was improperly reimbursed for two months in Calendar Year 2009 as discussed on page 8.

SSDI was not updated with their dates of death until December 2010.⁴ Consequently, the Office continued to process payments in these cases, three to four years after the retirees were deceased.

Recommendation

5. The Office should consider generating a periodic report to identify any reimbursement checks that have not been cashed. Office staff should investigate the reasons for any uncashed checks or checks that have been returned.

Office Response: "When un-cashed checks are returned, OLR staff investigates other sources of address, such as health plan address, pension address and any records on the retirees' files. If no other address is found, the check is cancelled and such cancellation is indicated in PACES. After 6 months all un-cashed checks are returned to the bank and no funds are expended by the City. Unless the return envelope indicates a bad address, OLR has no other means to investigate or determine which checks were not cashed or why they were returned."

Auditor Comment: The Office did not address that portion of the recommendation to generate a periodic report to identify any un-cashed reimbursement checks. This procedure would provide the Office with an additional control over the reimbursement process and possibly preclude the issuance of multiple checks to retirees whose checks were either not cashed or returned.

⁴ The fact that the SSDI was not timely updated was an anomaly for which the Office was not responsible. Indeed, the Social Security Administration acknowledges on its website that "administrative and documentation errors" may lead to improper social security payments, and that "We consider payments improper if they result from . . . Our failure to obtain or act on available information affecting the payment."



THE CITY OF NEW YORK OFFICE OF LABOR RELATIONS ADDENDUM Page 1 of 2

EMPLOYEE BENEFITS PROGRAM

40 RECTOR STREET, NEW YORK, NY 10006-1705

http://nyc.gov/olr

JAMES F. HANLEY Commissioner

DOROTHY A. WOLFE Director. Employee Benglis Program GEOR GETTE GESTELY Director. Pro-Tel Programs LISA POLK Director. Pro-Tel Programs MICHAEL BABETTE Director. Finacial and System Kurst general

July 8, 2011

H. Tina Kim, Deputy Comptroller Office of the Comptroller Bureau of Audit One Centre Street, Room 1100 New York, New York 10007

Dear Ms. Kim:

This letter is in response to findings of the City of New York Office of the Comptroller, contained in audit report 7111-085, concerning the Office of Labor Relations' practices and procedures for reimbursing Medicare Part B premiums to New York City retirees and their eligible dependents.

The Comptroller's audit reviewed the internal controls, practices and procedures to administer the Medicare Part B Reimbursement Program for Calendar Year 2009.

The audit's recommendations and OLR's response (in italics) follows:

1. Recoup the remaining \$482.00 in ineligible reimbursements to retirees with spouses and or dependent".

OLR will recoup the remaining \$482.00 from the one remaining retiree who was issued an overpayment.

2. Review the date of death and Medicare Part B coverage status of all retirees, their spouses and dependents before issuing reimbursement to ensure that all eligibility requirements are fulfilled and the amount of reimbursement is calculated accurately.

With an error rate of less than one-half percent, it is fairly clear that OLR has endeavored to ensure that all reimbursements are accurate and appropriate. As indicated by the audit's findings, OLR does take considerable measures to ensure that only eligible retites receive reimbursements. These instances were the result of human error, and not the result of system deficiencies. Nevertheless, OLR will review its process in these types of cases to ensure that staff adheres to the guidelines.

3. Ascertain the actual residence of the noted retiree. If the retiree does, in fact, reside outside the United States, recoup \$1,156.80 in improper payments.

OLR has reviewed the information in the file of this noted retiree and finds no evidence that the retiree permanently resides outside of the United States. OLR considers this payment to have been properly made.

4. The Office should ensure that retirees, eligible spouses, and dependents submit copies of Medicare cards showing the effective dates of coverage and all required documents for IRMAA reimbursement

Although OLR could not locate physical copies of 37 Medicare cards, the Medicare coverage effective dates are obtained from copies of Medicare cards actually received from the retirees. OLR will take steps to make sure that all Medicare cards are scanned into the document scanning system, LEGATO. In addition, OLR will not process any IRMAA reimbursement without the required documents.

5. The Office should consider generating a periodic report to identify any reimbursement checks that have not been cashed. Office staff should investigate the reasons for any uncashed checks or checks that have been returned.

When un-cashed checks are returned, OLR staff investigates other sources of address, such as health plan address, pension address and any records on the retirees' files. If no other address is found, the check is cancelled and such cancellation is indicated in PACES. After 6 months all un-cashed checks are returned to the bank and no funds are expended by the City. Unless the return envelope indicates a bad address, OLR has no other means to investigate or determine which checks were not cashed or why they were returned.

In conclusion, while this audit has revealed minor procedural errors which OLR will address to ensure that they do not reoccur, OLR is pleased with the audit's findings and conclusion that our "adequate internal controls, practices, and procedures for calculating reimbursements and avoiding duplicate payments for the Medicare Part B Reimbursement Program" achieved the very high degree of quality for which we aim.

Sincerely,

Jane J. 21 ander James F. Hanley

C* Richard Yates Dorothy A. Wolfe