



**PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY**

SPECIAL AUDIT

**FOR THE PERIOD
JANUARY 1, 2000 THROUGH JULY 31, 2007**



Mary Taylor, CPA
Auditor of State

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	3
Supplement to the Special Audit Report	
Background	5
Issue No. 1 Healthcare Deductible Refund Disbursements	6

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brian Printy, Board President
James Gunner, Superintendent
Lisa Crescimano, Treasurer
Perkins Local School District
1210 E. Bogart Rd.
Sandusky, Ohio 44870

We conducted a special audit of the Perkins Local School District (the District), by performing the procedures enumerated in the attached Supplement to the Special Audit Report for the period January 1, 2000 through July 31, 2007 (the Period), solely to:

- Determine whether certain employees identified by the District were reimbursed for healthcare deductibles in excess of amounts allowed per union contract agreements.

This engagement was conducted in accordance with the Quality Standards for Inspections established by the President's Council on Integrity and Efficiency (January 2005). The procedures and associated findings are detailed in the attached Supplement to the Special Audit Report. A summary of our procedures and significant results is as follows:

1. We examined healthcare deductible refund disbursements the District made to certain bargaining unit employees to determine whether those employees were paid amounts in accordance with union contract agreements.

Significant Results – Collective Bargaining Agreements contained a provision that allowed employees to receive reimbursements for their healthcare deductible payments not covered or paid by a secondary insurer up to \$2,000 per family or \$1,000 per individual, each year. Fourteen of 15 employees identified by the District received deductible reimbursements for which a secondary insurer paid all or a portion of the deductible amounts for the employees. We proposed Findings for Recovery totaling \$30,427 against 14 District employees for receiving reimbursement for costs paid by a secondary provider. As of August 29, 2008, all of the teachers against whom findings were proposed have repaid those findings. In its response to the Special Audit Report, the District asserted that effective July 1, 2008, the healthcare deductible provision was removed from the Collective Bargaining Agreement and the District no longer had an obligation to reimburse District teachers for such costs.

2. On September 3, 2008, we held an exit conference with the following individuals representing the District:

Brian Printy, Board President
Terry Chapman, Board member
Christopher Smith, Board member
Lisa Crescimano, Treasurer
Christian Williams, attorney

Steven Schuster, Board Vice President
D.J. Young, Board member
James Gunner, Superintendent
Julie West, Assistant Treasurer
William Pepple, attorney

The attendees were informed that they had five business days to respond to this special audit report. A response was received on September 10, 2008. The response was evaluated and changes were made to this report as we deemed necessary.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

March 21, 2008

Supplement to the Special Audit Report

Background

According to the District's Collective Bargaining Agreements, employees could receive a refund of the deductibles they incurred up to \$2,000 per family or \$1,000 per individual plan annually. On a quarterly basis, the District notified employees of the deductible amount incurred, and requested that the employees assert whether any other insurance provider reimbursed the employee for out-of-pocket expenses. Amounts reimbursed to employees via a spouse's insurance provider, a secondary provider, or supplemental insurance provider was not reimbursable to the employees. When making quarterly reimbursement payments, the District relied upon each teacher's assertion that he or she had no other insurance coverage with a coordination of benefits.

It came to the District's attention that 15 employees that received payments failed to notify the District that they had other insurance coverage that may have paid the employees' out-of-pocket expenses.

In an e-mail to our office dated July 10, 2007, Lisa Crescimano, District Treasurer, requested a special audit of payments made to certain employees as refunds of their paid healthcare insurance deductibles.

The District's request was considered by the Auditor of State's (AOS) Special Audit Task Force on July 17, 2007 and on July 18, 2007, the AOS initiated a special audit.

Supplement to the Special Audit Report

Issue No. 1 – Healthcare Deductible Refund Disbursements – We determined whether certain employees identified by the District were reimbursed healthcare deductibles in excess of amounts allowed per union contract agreements.

PROCEDURES

We contacted secondary health insurance providers to determine the amounts paid by the providers on behalf of the 15 employees identified by the District. Using the payment information obtained from the secondary providers, we calculated the amount of deductible refund payments due the employees. We reported any overpayments.

RESULTS

During the Period, the District paid \$114,879 in healthcare deductible refunds to the 15 identified employees. We determined 14 of the 15 employees received refunds totaling \$30,427, for which all or a portion of the employees' out-of-pocket expenses were paid by a secondary insurer.

According to the Collective Bargaining Agreements between the Perkins Education Association and the Perkins Board of Education¹, "The Board agrees to reimburse bargaining unit members as a fringe benefit for only actual out-of-pocket costs that are encumbered through payment of the deductible... to the extent of \$2,000 per family and \$1,000 per individual plan annually."

On a quarterly basis, the District sent written memos called Coordination of Benefits forms notifying employees of the deductible amount incurred. The form required employees to assert that either no other insurance coverage existed; or a coordination of benefits paid a portion of the deductible amount. If an employee reported that a coordination of benefits existed with another insurer, the amount paid by the secondary insurance was to be reported by the employee. The Coordination of Benefits form was signed by the employee and returned to the District for payment. Amounts paid by a secondary insurance provider were deducted from the employee's eligible reimbursement.

During the Period, 14 employees signed the quarterly Coordination of Benefits forms asserting they did not have secondary insurance coverage when in fact they did. We calculated the refund amounts due the employees using information provided by the insurance companies' Explanation of Benefits forms, and determined the 14 employees received overpayments as follows:

<u>Employee</u>	<u>Overpayment</u>
Bur, Ann	\$472
Burrows, Shane	3,621
Cramer, Jean	858
Hiss, Tracey	2,156
Leszynski, Pamela	3,746
Luginbill, Jennifer and Webster	1,704
Majoy, Barbara	859
Odafe, Justina	4,649
Piper, Gary	1,440
Plue, Tracy	989
Swanbeck, Christina	611
VanNess, Veronica	6,132
Zimmerman, David	3,190
Total	\$30,427

We proposed Findings for Recovery against each teacher in the amounts shown above. As of August 29, 2008, each of the teachers had repaid the District in full.

¹ There were three collective bargaining agreements during our audit period, dated July 1, 1999 through June 30, 2002, July 1, 2002 through June 30, 2005, and July 1, 2005 through June 30, 2008. Each agreement contained the clause related to insurance deductible reimbursements; however, the agreement dated July 1, 2005 through June 30, 2008 allowed the \$1,000/\$2,000 reimbursement only through May 31, 2007. We considered this change as we calculated our audit findings.



Mary Taylor, CPA
Auditor of State

PERKINS LOCAL SCHOOL DISTRICT
ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 3, 2009