OIA

Office of Internal Audit

Report to the Interim Chief Financial Officer and the Director, Payroll/Benefits

November, 2016

FINANCE DIVISION

Follow-up Review of the Audit of Medical and Dental Insurance Liabilities

Report Number: 17-03

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinion of the Office of Internal Audit. Determinations of corrective action to be taken will be made by the appropriate San Diego Unified School District officials.

OIA

Highlights

Highlights of Report 17-03, a report to the Interim Chief Financial Officer and the Director, Payroll/Benefits

November 2016

Finance Division

Follow-up of the Audit of Medical and Dental Insurance Liabilities

Why OIA Did This Review

We performed this review to determine whether the actions taken on the original report's recommendations were effective, that the system of internal controls for the calculation of medical and dental insurance liabilities was effective, and the rates used to calculate the liabilities were accurate. This project was included in our fiscal year 2016 (FY-16) work plan.

What OIA Recommends

Our report includes four recommendations. Recommendations 1 through 3 are addressed to the Chief Financial Officer (CFO) and include:

- Continue the reconciliation of the Medical Liability Account at year end;
- Ensure that the Employer Liability Account reconciliation is supported and the reconciled charges and credits be returned to the original funding source; and
- Develop an automated comparison of the tenthly rates and the premium charges to identify significant differences.

One recommendation is addressed jointly to the CFO and the Director Payroll/Benefits to consider using an alternative method to calculate the Employer Contribution to minimize the potential for over accruals.

The CFO's response described the actions Finance is taking or plans to take on the recommendations.

What Did OIA Find

OIA found that the Finance Division (Finance) had made significant progress in implementing the seven recommendations from the original report. Of the seven recommendations four were fully implemented and three were partially implemented.

We identified that improvements were still necessary in the: calculation and documentation of year-end adjustments to the medical and dental insurance costs; ensuring that all credits were returned to the original funding source from which the expenditures were drawn; and the data entered for the employer contributions needs improvement in identifying mismatches between the contribution amount and the rates applicable to various employees' coverage.

Additionally, we found that through the use of an alternative calculation methodology for the Employer Contribution, Finance can reduce the over reporting of costs incurred in the school and support organization's budget during the fiscal year. This methodology has the potential to minimize the need for time consuming reconciliation of the Employer Liability Account for over accrued contributions.

Contents

Acronyms and Abbreviations

California Schools Voluntary Employee Beneficiary Association	CS-VEBA
Chief Financial Officer	CFO
Consolidated Omnibus Budget Reconciliation Act	COBRA
San Diego Unified School District	District
Family Medical Leave Act	FMLA
Finance Division	Finance
fiscal year	FY
leave of absence	LOA
medical insurance network	NW
Office of Internal Audit	OIA
PeopleSoft Human Capital Management System	PS/HCMS
Preferred Provider Organization	PPO
San Diego Unified School District	SDUSD
United Health Care	UHC

Office of Internal Audit
P - 619.725.5696
F - 619 725.5699

16 November 2016

Patricia Koch, Ph.D.
Interim Chief Financial Officer

Sue Weir
Director, Payroll/Benefits
Finance Division
San Diego Unified School District
4100 Normal Street
San Diego, CA 92103-2682

In September 2014, the Office of Internal Audit (OIA) published an audit report on the calculation of the San Diego Unified School District's (District or SDUSD) liability for medical and dental insurance costs provided to employees. The Finance Division (Finance) requested this audit to verify the accuracy of the medical and dental insurance liabilities recorded in the books of account, the validity of the amounts reported, and the accuracy of processing payments for the insurance coverage.

OIA's original report contained seven findings and recommendations. The Chief Financial Officer (CFO) responding to a draft version of the original report generally concurred with the recommendations. In the response, the CFO stated that Finance had begun to implement the recommendations prior to the issuance of the report.

The intent of this follow-up review is to determine whether Finance has taken action to address the original report's recommendations, whether the actions were effective in addressing the cause(s) of the conditions cited in the report, and whether the recommendations were fully implemented by the management of Finance, specifically the Payroll/Benefits Unit. This project was included in our fiscal year 2016 (FY-16) annual work plan.

The CFO provided OIA with a response to a draft version of this report that generally addressed our recommendations. The CFO's response indicated that Finance's system of internal controls and reconciliation processes were adequate given the size and complexity of the medical and dental insurance programs.

Background

As part of the employee's benefit package, the District offers medical, dental, and vision insurance coverage.[1] The District bears the full cost for these insurance programs for its active employees.

The District provides medical and dental insurance coverage to eligible employees[2], the employee's dependents, District retirees, District employees receiving benefits through the Family Medical Leave Act (FMLA), employees who are on an approved leave of absence (LOA), and former employees receiving benefits through the Consolidated Omnibus Budget Reconciliation Act (COBRA), Table 1 summarizes the number of individuals with insurance coverage provided by the District.

Table 1: Individuals in a District Medical or Dental Insurance Plan as of 31 December 2015

Insurance	Employees	Retirees	COBRA LOA	Dependents
Medical	12,096	3,410	32	20,919
Dental	12,209	3,901	70	21,557
Totals	***24,305***	***7,311***	***102***	***42,476***

Source: Payroll/Benefits Department

To assist the District in purchasing insurance coverage and providing management services for the operation of the insurance plans; the District entered into an agreement with the California Schools Voluntary Employees Beneficiary Association (CS-VEBA). CS-VEBA contracted with McGregor and Associates, a third party administrator, to manage the daily operations of the plans. CS-VEBA provides medical insurance to individuals eligible to receive coverage through Kaiser and United Health Care (UHC). Through 31 December 2015, the District directly procured its dental insurance coverage through two carriers Delta Dental and Western Dental.

Effective 1 January 2016, the District established a new agreement with CS-VEBA. Through this agreement CS-VEBA will purchase the dental services for SDUSD eligible individuals in addition to providing management services for the District. This agreement is effective from 1 January 2016 through 31 December 2018.

[1] The original audit request did not include a review of the vision insurance coverage and payments. Similarly, we are not including a review of those costs in this report.

[2] The terms that are underlined when they first appear in the report are defined in the Appendix I: Glossary of Terms.

Prior Audit Results

OIA's September 2014 report included seven findings and recommendations. The original report's findings are discussed below, and a discussion of the original report's recommendations is in the Results in Brief section of this report. The findings in the September 2014 report included:

- During the period 1 July 2006 through 30 June 2012 the accumulated credits in the Employer Liability Account for medical insurance grew to $6,728,391; and the accumulated credits for dental insurance grew to a balance of $1,326,485. These large balances were caused by over-accruing costs, using the tenthly rate, and not matching the accrued cost with the actual cost of the insurance premiums paid.
- Errors found in the sampled transactions triggered an understatement of the Employer's Liability Account. The balance of the Medical insurance account was understated by $1,086,951 and the dental insurance account was overstated by $44,548.
- Employer contribution was not recorded for employee's laid off in FY-09. This caused an understatement of the medical and dental insurance portion of the Employer Liability Account by $773,369 and $138,260, respectively.
- Errors in the calculation of journal entries for the Employer Liability Account resulted in understatements of the medical and dental insurance portions of the Employers Liability Account. The medical insurance portion was understated by $703,667 and the dental insurance portion was overstated by $341,915.
- The District continued to pay premiums for ineligible and terminated employees and employees on LOA resulting in overpayments to the CS-VEBA of $94,597.
- The District continued to pay premiums for former employees, who received COBRA benefits, after termination of the insurance coverage. This resulted in an overpayment of $65,176 to CS-VEBA.
- Errors in employee pro-rata cost coverage calculations resulted in underpayments of $21,884 by the employees involved in job-sharing arrangements.

Results in Brief

Finance made significant progress in implementing the recommendations contained in the original audit report. Of the report's seven recommendations, OIA determined that Finance implemented five recommendations and two recommendations have been partially implemented. Table 2 provides the status, as of the close of fieldwork, for the seven recommendations.

Our testing did note the need for continued improvements in the following areas:

- documentation supporting the adjustments for year-end dental and medical liabilities needs to be included with the journal entries;
- adjustments for costs incurred by District for medical and dental insurance need to be returned to the original funding source of the programs and accounts they were drawn from; and
- process to spread the employer contribution over the District's payroll cycle needs improvement to minimize the opportunity of misstatement of the Employer Liability Account and the costs applied to the District's cost centers and programs.

Table 2: Prior Recommendation Status

Rec	Original Report's Recommendation	Current Status	Action Taken by Finance	Current Report Finding
1	The Finance Division should calculate the over accrual as of 30 June for each fiscal year end, and adjust for the overstatement of the accrual.	Partially Implemented	Finance made the necessary adjustment for the applicable years. However, the adjustments lacked adequate supporting documentation. The adjustments did not flow to the original funding source(s) but were retained in the District's General Fund	1 and 2
2	Adjusting journal entries should be made to the Employer Liability Account to correct errors found. Management must continue to review the accuracy of the medical and dental rates input. Management should develop a process to account for the under accrual of employer contributions for FMLA/LOA/terminations.	Partially implemented	Finance made the necessary adjustments to the Employer Liability Account to correct prior year errors. Our testing did not identify rate errors in FY-15. Based on our testing the rate review process is effective. The under accrual process for FMLA/LOA/terminations continues. A separate process has not been developed to identify and account for the under accruals.	3
3	Entries should be made to the Employer Liability Account to correct the 2008/2009 error. Finance should continue to account for the employer contributions for laid off employees and prepare a journal entry to record the accrual.	Implemented	Finance adjusted the Employer Liability Account to correct prior year errors. Finance properly accounted for laid off employees in succeeding years.	Not Applicable

Rec	Original Report's Recommendation	Current Status	Action Taken by Finance	Current Report Finding
4	Finance made adjusting entries to balance the Employer Liability Account at 30 June 2013. Non-standard, non-recurring journal entries affecting medical and dental liability accounts should be reviewed with Employee Benefits.	Implemented	Finance adjusted the Employer Liability Account to reflect the corrected balances for prior years.	Not Applicable
5	Implement a process to properly deactivate monthly premiums for terminated employees.	Implemented	We identified one error that would not be recognized by the current reconciliation process. This error occurred due to the mismatch of data tables within the PeopleSoft Human Capital modules.	Management Letter (Report No. 17-04-R)
6	Employee Benefits should Implement a tool to identify COBRA participants with inactive billing status and paid premiums.	Implemented	We did not identify errors in our testing.	Not Applicable
7	The management of Employee Benefits needs to ensure a process is in place to periodically review and assess the validity of the pro-rata coverage costs for all job share arrangements	Implemented	We did not identify discrepancies in our review of a sample of job share arrangements.	Not Applicable

Source: OIA analysis

Summary of Recommendations

OIA included four recommendations in this report. Three recommendations are addressed to the CFO and one recommendation is addressed jointly to the CFO and the Director, Payroll/Benefits. We recommend that the CFO:

- Continue the reconciliation of the fiscal year-end balance in the Employer Liability Account for medical and dental insurance;
- Ensure that all adjustments to the Employer Liability Account flow through to the original funding source to properly reflect the actual program, organization, and function costs and to comply with applicable Federal and state requirements; and
- Develop an automated comparison of the amounts charged for the premium and tenthly rates to identify differences. The review should be conducted periodically to determine whether adjustments to the Employer Contribution and Employer Liability Account are warranted.

Further, OIA recommends the CFO and the Director, Payroll/Benefits evaluate the feasibility for changing the calculation and use of the Employer Contribution to consistently reflect the District's liability for medical and dental benefit costs and the actual costs incurred by the schools, departments, programs, organizations and functions within the District.

Objectives and Scope

The objectives for this review were to determine whether Finance:

- Took effective action to implement the recommendations included in the original report;
- Verified that the District's system of internal control provide reasonable assurance that the:
  - health insurance payment processes safeguarded the District's assets and provided reliable data;
  - individuals covered by the medical and dental insurances were eligible for the benefits; and
  - health insurance payment process complied with applicable laws, regulations, Board of Education policies and SDUSD administrative procedures;
- Determined whether the accrued medical and dental liabilities were accurately determined for FY-15; and
- Verified the accuracy of the medical and dental insurance rates entered into the PeopleSoft Human Capital Management System (PS/HCMS).

To meet our objectives, we applied transaction testing and procedures to the data, provided to us for the District's fiscal year end (30 June 2015). We tested the medical and dental insurance rates entered into PS/HCMS for the months ending 30 November 2014 and 30 April 2015. Our conclusions are based on the evidence that we obtained from our testing at 30 June 2015 and for monthly periods ending 30 November 2014 and 30 April 2015.

The tests and procedures that we applied to the data provided to us are not sufficient to constitute a review conducted in accordance with generally accepted government auditing standards; the objective of such a review would be the expression of an opinion on the balances in the Employer's Liability Account taken as a whole. We did not and will not express such an opinion. Had we performed a review in accordance with generally accepted government auditing standards other matters may have come to our attention that we would have reported to you.

Documentation of Year End Entries Needs Improvement

Prior to the year-end adjustments the balances recorded in the Employer Liability Account were $618,195 for medical insurance and $365,322 for dental insurance. The balances were written off by Finance to reflect the timing differences between the employer contribution amount and the premiums paid and other adjustments that were necessary during FY-15.

Finance supplied us with copies of the general ledger account balances for the Employer Liability Account both pre and post adjustment. Additional documentation supporting the account analysis and how the adjustments were determined was not provided.

OIA could not validate Finance's assertion that the Employer Liability Account for medical and dental insurance adjustments was timing differences. Our analyses in Appendix II and III for medical and dental insurance, respectively, illustrates after taking the timing differences into consideration, unreconciled balances remained. The absence of a complete reconciliation does not provide the necessary assurances that the amounts recorded in the liability account were valid and properly reflected the adjustments.

Additionally, Finance had not developed a risk tolerance level for the medical and dental insurance portion of the Employer Liability Account. By establishing a risk tolerance level and including the amount in their internal reconciliation procedures, Finance establishes an upper level amount of risk that it will accept. Using a tolerance level, Finance reduces the number of instances when potentially a significant amount of time may be expended to obtain very little value.

Credits Were Not Effectively Addressed in the Reconciliation

Title 2 of the Code of Federal Regulations requires in section 200.406 that credits, whether through cash refunds or other credits, that apply to allowable costs must be credited to the Federal award either as a cost reduction or a cash refund.

Our testing of the year-end reconciliations identified that the District did not fully comply with Federal and state grant requirements to return any applicable credits for expenses to the program, organization or function from which the costs were generated. The District's practice is to provide the credits to District's general fund account(s).

Using the available data from 30 November 2014, we estimated that approximately 35 percent of the credits should have returned to the restricted general fund accounts, and approximately 9 percent of the credits should have returned to the other funds. These amounts represent $344,231 and $88,517, respectively, of the total write offs of $983,517 (medical $618,195 and dental $365,322). By not applying the credits, Finance overstated the costs incurred by the District's programs, and functions.

Recommendations

OIA recommends that the CFO:

1. Continue the reconciliation of the medical and dental accruals at fiscal year-end; establish and document a tolerable risk level for differences identified in the reconciliation of District accounts,

and require that all reconciliations contain the supporting documentation for the proposed adjustments.
2. Ensure that all Employer Liability Account adjustments include adjustments to the original funding source of the benefits transaction.

Employer Contribution Differential

Finance maintains two different processes for accounting for the cost of the District provided medical and dental insurance benefits. The first is the payment of the monthly premiums based data generated by the Payroll/Benefits Department, which provides adjustments to CS-VEBA to adjust their data. The premium payment process is independent of the amounts generated by the Payroll/Benefits Department for the Employer Contribution calculation.

The second process is the calculation and use of the Employer Contribution by Finance. The Employer Contribution provides a process to spread the cost of medical and dental insurance over a ten month payroll cycle that impacts the majority of the District's employees.

The majority of the District's employees are paid on a ten month cycle (September through June). During these ten months, the payroll process includes the distribution of benefit costs incurred, for the fiscal year, to school and support function budgets. At the close of the fiscal year, Finance reconciles the medical and dental insurance in the Payroll Deduction – Employer account, as determined by the premium payments, with the amount distributed to the budgets through the payroll distribution process.

The employer contribution is calculated using the tenthly rates, developed by the Payroll/Benefits Department, and adjusted in January, with the changes in the premium rates charged by CS-VEBA.[3] At the close of the fiscal year, the total amount of the tenthly payments and the premium payments should agree. We noted differences in comparing the total premiums to be paid with the tenthly calculation of the premium costs. These annual differences for medical insurance ranged from an over accrual of costs from $2.86 to $302.12 per policy and individual covered by that policy. For the dental insurance we noted that only one policy had a difference of $0.82 per individual. Appendix II provides a summary of the estimated amount over accrued by Finance and the differences for each of the District's medical insurance plans.

[3] CS-VEBA changes the premium rates for medical insurance annually, with the change taking effect in January. Our testing included comparison of the premium and tenthly rates in effect for medical and dental insurance during the period of the follow-up review.

Appendix III provides a similar summary for the dental insurance. The differences in the calculation of the tenthly rates and the premiums can impact the accuracy of the comparison of the budget to actual expenditures at the individual school or support function level and the District, as a whole.

We tested the accuracy of the employer contributions by comparing each active employee's employer contribution amount for medical insurance to the corresponding premium rate for the periods 1 – 30 November 2014 and 1 – 30 April 2015. Our review included 11,872 employees in November 2014 and 12,008 employees in April 2015. Our testing identified 504 differences. We randomly selected a sample of 75 differences to determine the impact of the accuracy of the calculated employer contribution. Of the 75 sampled transactions, we identified 37 transactions that were corrected in subsequent periods. Thirty-eight transactions were not corrected during our review period. Table 3 provides a summary of the errors we identified and the impact on the employer contribution. These differences have an impact on the Employer Liability Account and the calculation of the benefits costs included in the school and support organization budgets.

Table 3: Employer Contribution Errors

Description of Error	Number	Year-to-Date Effect on Employer Liability Account Under/(Over) Statement
Domestic Partner	5	$ (4,663)
Incorrect Coverage Code	7	5,425
Incorrect Rate for LOA, FMLA, and Industrial Accident	20	99,554
No Employer Contribution – November and December	5	11,542
Termination of Employee	1	2,086
Total Differences and Understatements	***38***	***$113,944***

Source: OIA analysis

Recommendation

3. The CFO should consider the development of an automated test comparing the premium rates and tenthly rates for the individual eligible employees that is executed on a periodic basis during the fiscal year to determine whether changes in the Employer Liability Account are warranted.

Tenthly Rate Calculation Needs Improvement

The Payroll/Benefits Department developed the tenthly rate process to spread the twelve months of cost for medical and dental insurance costs over the District's ten month payroll cycle. The use of the current tenthly rate process results in the overstatement of the costs actually incurred by the District and results in a time consuming reconciliation process to ensure the budgeted costs are equal to the premiums paid at year end.

The current tenthly rate process uses the rates calculated for the current calendar year for the period 1 September through 31 December (4 months) and the new rates calculated for the coming calendar year for 1 January through 30 June (6 months) for the balance of the year. This calculation creates a difference of approximately the same amount as the difference between the old and new tenthly rate for one month (see Appendix II pages 16 through 18). The current process results in an over accrual of the projected costs and the amount recorded in the Employer Liability Account. This over accrual needs to be reconciled at year end.

OIA, in reviewing the FY-15 tenthly process and the accrual, found by adjusting the amount of the accrual to reflect five months at the current year rate (1 July to 31 January) and five months at the future year rate (1 February to 30 June) the difference between the tenthly rates and the premium rates were minimized. This change does not impact the premium payments during the year.

To verify our calculations, we used the FY-16 medical insurance premium rates and used the same average number of employees and distribution of enrollees in each medical insurance plan. Appendix IV provides the summary of the accrual difference and the differences for the individual plans.

Recommendation

4. OIA recommends that the CFO and the Director, Payroll/Benefits evaluate the feasibility of changing the calculation of the Employer Contribution to reflect a five month distribution for current and future medical insurance premiums.

Contributor

Susan Jarrold, an OIA Audit Manager, is the primary auditor for this project and the principal contributor to this report.

We will provide copies of this report to the Board of Education, Audit and Finance Committee, Superintendent of Public Education, General Counsel, and Chief of Staff. A copy of the final report will be placed on the District's webpage at https://www.sandiegounified.org/audit-reports.

Should you have any questions on this report or our work, please contact Susan Jarrold at 619.725.5697 or sjarrold@sandi.net or John Cashmon at 619.725.5696 or jcashmon@sand.net.

John M. Cashmon
Director, Internal Audit

Appendix I: Glossary of Terms

Term	Definition
Consolidated Omnibus Budget Reconciliation Act[4]	The Consolidated Omnibus Budget Reconciliation Act (COBRA) requires most group health plans to provide a temporary continuation of group health coverage that otherwise might be terminated. COBRA requires continuation coverage to be offered to covered employees, their spouses, their former spouses, and their dependent children when group health coverage would otherwise be lost due to certain specific events. Those events include the death of a covered employee, termination or reduction in the hours of a covered employee's employment for reasons other than gross misconduct, divorce or legal separation from a covered employee, a covered employee's becoming entitled to Medicare, and a child's loss of dependent status (and therefore coverage) under the plan. Under COBRA, a group health plan is any arrangement that an employer establishes or maintains to provide employees or their families with medical care, whether it is provided through insurance, by a health maintenance organization, out of the employer's assets on a pay-as-you-go basis, or otherwise. "Medical care" typically covered by a group health plan for this purpose includes: Inpatient and outpatient hospital care; Physician care; Surgery and other major medical benefits; Prescription drugs; Dental and vision care.
Dependents[5]	An eligible employee's legal spouse who has not entered a final decree of divorce or annulment from the employee, and is not on active duty as a member of the armed forces, or an unmarried employee's same-sex domestic partner who is not on active duty as a member of the armed forces and is not legally married to another individual. An eligible employee's child (including any stepchild, child of the employee's same-sex domestic partner, legally adopted child, or child for whom the employee is named legal guardian by court order) who (a) has not attained his/her twenty-sixth birthday, (b) is not covered for benefits as an employee, (c) is not on active duty as a member of the armed forces and/or (d) is not enrolled in another medical benefits plan. An eligible employee's child (including any stepchild, child of the

[4] U.S. Department of Labor, Employee Benefits Security Administration; *An Employee's Guide To Health Benefits Under COBRA*; September 2015; Washington, DC; found at https://www.dol.gov/ebsa/publications/cobraemployee.html (Accessed 2 June 2016)

[5] Administrative Procedure (AP) 7122, *Group Medical Benefits Plans*, § C.2.b

	employee's domestic same-sex partner, legally adopted child, or child for whom the employee is named legal guardian by court order) who (a) is at least twenty-six years of age, (b) is primarily dependent upon the employee for support and maintenance, and (c) is incapable of self-sustaining employment because of mental or physical disability and has been approved by the medical carrier as totally disabled prior to age 19. Eligible dependents must be enrolled in the same medical plan as the employee.
Eligible Employees[6]	All active monthly salaried employees working one-half (1/2) time or more. Employees on district approved unpaid leaves may continue their medical insurance coverage by remitting the required fee to the District.
Employer's Liability Account	This account reflects the amounts that are the District's responsibility for benefits and taxes. The account includes amounts owed for certificated and classified employee retirement plans, health insurance (medical, dental, vision), the employer portion of the FICA and Medicare contributions, etc.
Employer Contribution	This amount is based on the tenthly rate and is used for budgeting purposes and the amount presented in the Employer's Liability Amount for the District's interim financial reports. This amount is independent of the premiums paid. As the District disburses funds to CS-VEBA, the employer contribution is reduced. At the close of the fiscal year the Employer's Liability Account balance is zero and the expense account for employee medical and dental insurance reflects the full cost of the insurance premiums paid to CS-VEBA.
Family Medical Leave Act[7]	The Family and Medical Leave Act (FMLA) entitles eligible employees who work for covered employers to take unpaid, job-protected leave for specified family and medical reasons. Eligible employees may take up to 12 workweeks of leave during any 12-month period for certain family and medical reasons and up to 26 workweeks of leave during a single 12-month period for military caregiver leave. If an employee is provided group health insurance, the employee is entitled to the continuation of the group health insurance coverage during FMLA leave on the same terms as if he or she had continued to work. If family member coverage is provided to an employee, family member coverage must be maintained during the FMLA leave. The employee must continue to make any normal contributions to the cost of the health insurance premiums.
Premiums Paid	The amounts paid generated by the Payroll/Benefits Department and paid monthly to CS-VEBA. The District provides adjustments to CS-

[6] AP 7122 § C.2.a

[7] U.S. Department of Labor, Wage and Hour Division; *Fact Sheet #28A: Employee Protections under the Family and Medical Leave Act*; September, 2012; Washington, DC; found at: https://www.dol.gov/whd/regs/compliance/whdfs28a.pdf (Accessed 2 June 2016)

	VEBA to update their database of participants in the medical insurance plans.
Tenthly Rate	Amount determined by Finance to spread the 12 months of premium costs over the District's 10 month payroll reporting cycle. Computed by annualizing the cost of the premium and dividing the amount by 10. The amount is the basis for the calculation of the employer contribution and computation of the accrued medical and dental insurance costs.
California Schools Voluntary Employees Beneficiary Association (CS-VEBA)[8]	A voluntary employees' beneficiary association under Internal Revenue Code section 501(c)(9) is an organization organized to pay life, sick, accident, or similar benefits to members or their dependents, or designated beneficiaries. No part of the net earnings of the association may inure to the benefit of any private shareholder or individual. The organization must meet the following requirements: 1. It must be a voluntary association of employees; 2. The organization must provide for payment of life, sick, accident or other similar benefits to members or their dependents or designated beneficiaries and substantially all of its operations are for this purpose; and 3. Its earnings may not inure to the benefit of any private individual or shareholder other than through the payment of benefits described in (2) above. Membership of a section 501(c)(9) organization must consist of individuals who are employees who have an employment-related common bond. This common bond may be a common employer (or affiliated employers), coverage under one or more collective bargaining agreements, membership in a labor union, or membership in one or more locals of a national or international labor union. An organization that is part of a plan will not be exempt unless the plan meets certain nondiscrimination requirements. However, if the organization is part of a plan maintained under a collective bargaining agreement between employee representatives and employers, and such plan was the subject of good faith bargaining between such employee representatives and employers, the plan need not meet such nondiscrimination requirements for the organization to qualify as tax exempt.

[8] Internal Revenue Service; *Voluntary Employee Beneficiary Association 501(c)(9)*; 22 January 2016; Washington, DC; accessed at https://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits/Voluntary-Employee-Beneficiary-Association-501c9. (Accessed 2 June 2016)

Appendix II: Estimation of FY-15 Over Accrual for Medical Insurance

Medical Plan	Active Employees as of 1 Nov 14	Active Employees as of 1 Apr 15	Average Number of Active Employees [a]	Monetary Difference of Tenthly Rate and Premium [b]	Average Employees X Rate Difference [a]
UHC – NW 1 – Tier 1	1,172	1,236	1,204	30.86	$ 37,155
UHC – NW 1 – Tier 2	1,036	1,064	1,050	61.52	64.596
UHC – NW 1 – Tier 3	2,365	2,441	2,403	86.48	207,811
UHC – NW 2 – Tier 1	262	254	258	49.46	12,761
UHC – NW 2 – Tier 2	188	180	184	98.82	18,183
UHC – NW 2 – Tier 3	331	319	325	139.02	45,182
UHC – NW 3 – Tier 1	204	201	203	107.60	21,789
UHC – NW 3 – Tier 2	167	159	163	214.66	34,990
UHC – NW 3 – Tier 3	276	279	278	302.12	83,838
UHC – PPO – Tier 1	145	152	149	5.34	793
UHC – PPO – Tier 2	109	121	115	89.50	1,093
UHC – PPO – Tier 3	152	172	162	12.58	2,038
Kaiser – Tier 1	1,668	1,735	1,702	2.86	4,866
Kaiser – Tier 2	1,410	1,428	1,419	5.36	7,606
Kaiser – Tier 3	2,219	2,267	2,243	7.42	16,643
Total	***11,704***	***12,008***	***11,856***		***$559,343***

Source: OIA analysis

Notes: [a] Does not calculate to the total average employees due to rounding
[b] Differences for each plan are illustrated on pages 16 through 18.
NW (United Health Care Network)
PPO (United Health Care Preferred Provider Organization)

Analysis of Year End Medical Insurance Liability Balance Accrual

Medical Insurance Liability Balance as of 30 June 2015	618,195
Estimated Difference between Premium and Employer Contributions	(559,343)
Subtotal	58,851
Less FY-14 additional fees posted to General Ledger Account AR00331809	(61,712)
Unreconciled Difference – Medical Insurance Liability	(2,861)

San Diego Unified School District
Calculation of the Annual Difference between the Monthly Premium Rate and Employer Contribution
For UHC Networks and Preferred Provider Plan (PPO)
For the Period 1 July 2014 through 30 June 2015

Network 1 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 14	549.17	—	
Aug 14	549.17	—	
Sep 14	549.17	659.00	
Oct 14	549.17	659.00	
Nov 14	549.17	659.00	
Dec 14	549.17	659.00	
Jan 15	574.91	689.89	
Feb 15	574.91	689.89	
Mar 15	574.91	689.89	
Apr 15	574.91	689.89	
May 15	574.91	689.89	
Jun 15	574.91	689.89	
	6,744.48	6,775.34	30.86

Network 1 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 14	1,084.97	—	
Aug 14	1,084.97	—	
Sep 14	1,084.97	1,301.96	
Oct 14	1,084.97	1,301.96	
Nov 14	1,084.97	1,301.96	
Dec 14	1,084.97	1,301.96	
Jan 15	1,136.27	1,363.52	
Feb 15	1,136.27	1,363.52	
Mar 15	1,136.27	1,363.52	
Apr 15	1,136.27	1,363.52	
May 15	1,136.27	1,363.52	
Jun 15	1,136.27	1,363.52	
	13,327.44	13,388.96	61.52

Network 1 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	1,523.19	—	
Aug 14	1,523.19	—	
Sep 14	1,523.19	1,827.83	
Oct 14	1,523.19	1,827.83	
Nov 14	1,523.19	1,827.83	
Dec 14	1,523.19	1,827.83	
Jan 15	1,595.25	1,914.30	
Feb 15	1,595.25	1,914.30	
Mar 15	1,595.25	1,914.30	
Apr 15	1,595.25	1,914.30	
May 15	1,595.25	1,914.30	
Jun 15	1,595.25	1,914.30	
	18,710.64	18,792.12	86.48

Network 2 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 14	705.07	—	
Aug 14	705.07	—	
Sep 14	705.07	846.08	
Oct 14	705.07	846.08	
Nov 14	705.07	846.08	
Dec 14	705.07	846.08	
Jan 15	746.32	895.58	
Feb 15	746.32	895.58	
Mar 15	746.32	895.58	
Apr 15	746.32	895.58	
May 15	746.32	895.58	
Jun 15	746.32	895.58	
	8,708.34	8,757.80	49.46

Network 2 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 14	1,396.50	—	
Aug 14	1,396.50	—	
Sep 14	1,396.50	1,675.80	
Oct 14	1,396.50	1,675.80	
Nov 14	1,396.50	1,675.80	
Dec 14	1,396.50	1,675.80	
Jan 15	1,478.83	1,774.60	
Feb 15	1,478.83	1,774.60	
Mar 15	1,478.83	1,774.60	
Apr 15	1,478.83	1,774.60	
May 15	1,478.83	1,774.60	
Jun 15	1,478.83	1,774.60	
	17,251.98	17,350.80	98.82

Network 2 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	1,962.15	—	
Aug 14	1,962.15	—	
Sep 14	1,962.15	2,354.58	
Oct 14	1,962.15	2,354.58	
Nov 14	1,962.15	2,354.58	
Dec 14	1,962.15	2,354.58	
Jan 15	2,078.00	2,493.60	
Feb 15	2,078.00	2,493.60	
Mar 15	2,078.00	2,493.60	
Apr 15	2,078.00	2,493.60	
May 15	2,078.00	2,493.60	
Jun 15	2,078.00	2,493.60	
	24,240.90	24,379.92	139.02

UHC Networks and PPOs

Network 3 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 14	772.17	—	
Aug 14	772.17	—	
Sep 14	772.17	926.60	
Oct 14	772.17	926.60	
Nov 14	772.17	926.60	
Dec 14	772.17	926.60	
Jan 15	861.87	1,034.24	
Feb 15	861.87	1,034.24	
Mar 15	861.87	1,034.24	
Apr 15	861.87	1,034.24	
May 15	861.87	1,034.24	
Jun 15	861.87	1,034.24	
	9,804.24	9,911.84	107.60

Network 3 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 14	1,530.98	—	
Aug 14	1,530.98	—	
Sep 14	1,530.98	1,837.18	
Oct 14	1,530.98	1,837.18	
Nov 14	1,530.98	1,837.18	
Dec 14	1,530.98	1,837.18	
Jan 15	1,709.83	2,051.80	
Feb 15	1,709.83	2,051.80	
Mar 15	1,709.83	2,051.80	
Apr 15	1,709.83	2,051.80	
May 15	1,709.83	2,051.80	
Jun 15	1,709.83	2,051.80	
	19,444.86	19,659.52	214.66

Network 3 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	2,151.82	—	
Aug 14	2,151.82	—	
Sep 14	2,151.82	2,582.18	
Oct 14	2,151.82	2,582.18	
Nov 14	2,151.82	2,582.18	
Dec 14	2,151.82	2,582.18	
Jan 15	2,403.61	2,884.33	
Feb 15	2,403.61	2,884.33	
Mar 15	2,403.61	2,884.33	
Apr 15	2,403.61	2,884.33	
May 15	2,403.61	2,884.33	
Jun 15	2,403.61	2,884.33	
	27,332.58	27,634.70	302.12

PPO – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 14	701.50	—	
Aug 14	701.50	—	
Sep 14	701.50	841.80	
Oct 14	701.50	841.80	
Nov 14	701.50	841.80	
Dec 14	701.50	841.80	
Jan 15	705.96	847.15	
Feb 15	705.96	847.15	
Mar 15	705.96	847.15	
Apr 15	705.96	847.15	
May 15	705.96	847.15	
Jun 15	705.96	847.15	
	8,444.76	8,450.10	5.34

PPO – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 14	1,371.04	—	
Aug 14	1,371.04	—	
Sep 14	1,371.04	1,645.25	
Oct 14	1,371.04	1,645.25	
Nov 14	1,371.04	1,645.25	
Dec 14	1,371.04	1,645.25	
Jan 15	1,378.93	1,654.72	
Feb 15	1,378.93	1,654.72	
Mar 15	1,378.93	1,654.72	
Apr 15	1,378.93	1,654.72	
May 15	1,378.93	1,654.72	
Jun 15	1,378.93	1,654.72	
	16,499.82	16,509.32	9.50

PPO – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	1,916.86	—	
Aug 14	1,916.86	—	
Sep 14	1,916.86	2,300.23	
Oct 14	1,916.86	2,300.23	
Nov 14	1,916.86	2,300.23	
Dec 14	1,916.86	2,300.23	
Jan 15	1,927.35	2,312.82	
Feb 15	1,927.35	2,312.82	
Mar 15	1,927.35	2,312.82	
Apr 15	1,927.35	2,312.82	
May 15	1,927.35	2,312.82	
Jun 15	1,927.35	2,312.82	
	23,065.26	` 23,077.84	(12.58)

San Diego Unified School District
Calculation of the Annual Difference between the Monthly Premium Rate and Employer Contribution
For Kaiser Health Plans
For the Period 1 July 2014 through 30 June 2015

Kaiser – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 14	500.03	—	
Aug 14	500.03	—	
Sep 14	500.03	600.04	
Oct 14	500.03	600.04	
Nov 14	500.03	600.04	
Dec 14	500.03	600.04	
Jan 15	502.42	602.90	
Feb 15	502.42	602.90	
Mar 15	502.42	602.90	
Apr 15	502.42	602.90	
May 15	502.42	602.90	
Jun 15	502.42	602.90	
	6,014.70	6,017.56	2.86

Kaiser – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 14	987.92	—	
Aug 14	987.92	—	
Sep 14	987.92	1,185.50	
Oct 14	987.92	1,185.50	
Nov 14	987.92	1,185.50	
Dec 14	987.92	1,185.50	
Jan 15	992.39	1,190.87	
Feb 15	992.39	1,190.87	
Mar 15	992.39	1,190.87	
Apr 15	992.39	1,190.87	
May 15	992.39	1,190.87	
Jun 15	992.39	1,190.87	
	11,881.86	11,887.22	5.36

Kaiser – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	1,392.88	—	
Aug 14	1,392.88	—	
Sep 14	1,392.88	1,671.46	
Oct 14	1,392.88	1,671.46	
Nov 14	1,392.88	1,671.46	
Dec 14	1,392.88	1,671.46	
Jan 15	1,399.06	1,678.87	
Feb 15	1,399.06	1,678.87	
Mar 15	1,399.06	1,678.87	
Apr 15	1,399.06	1,678.87	
May 15	1,399.06	1,678.87	
Jun 15	1,399.06	1,678.87	
	16,751.64	16,759.06	7.42

Appendix III: Estimation of FY-15 Over Accrual for Dental Insurance

Dental Insurance Plan	Active Employees as of 1 Nov 14	Active Employees as of 1 Apr 15	Average Number of Active Employees [a]	Monetary Difference of Tenthly Rate and Premium [b]	Average Employees X Rate Difference [a]
Western	619	583	601	0.00	$ 0
Delta – PPI	1,597	1,566	1,582	0.80	1,265
Delta – PPO	9,682	9,989	9,836	0.00	0
Total	***11,898***	***12,158***	***12,028***		***$1,265***

Source: OIA analysis

Notes: [a] Does not calculate to the total average employees due to rounding

[b] Differences for each plan are illustrated on page 20.

Analysis of Year End Dental Insurance Liability Balance Accrual

Dental Insurance Liability Balance as of 30 June 2015	365,322
Estimated Difference between Premium and Employer Contributions	(1,265)
Subtotal	364,057
Premium Discount applied to August 2014 Monthly Summary	(250,000)
FY-14 additional fees posted to General Ledger Account AR00331809	(36,340)
Posting to General Ledger Account AR00334378	(21,745)
Posting to General Ledger Account AR00336729	(21,745)
Unreconciled Difference – Medical Insurance Liability	34,227

San Diego Unified School District
Calculation of the Annual Difference between the Monthly Premium Rate and Employer Contribution
For Western Dental, Delta Dental PMI and Delta Dental PPO
For the Period 1 July 2014 through 30 June 2015

Western Dental

Month	Premium Rate	Employer Contribution	
Jul 14	30.97	—	
Aug 14	30.97	—	
Sep 14	30.97	37.16	
Oct 14	30.97	37.16	
Nov 14	30.97	37.16	
Dec 14	30.97	37.16	
Jan 15	30.97	37.16	
Feb 15	30.97	37.16	
Mar 15	30.97	37.16	
Apr 15	30.97	37.16	
May 15	30.97	37.16	
Jun 15	30.97	37.16	
	371.64	371.64	0.00

Delta Dental PMI

Month	Premium Rate	Employer Contribution	
Jul 14	33.63	—	
Aug 14	33.63	—	
Sep 14	33.63	40.36	
Oct 14	33.63	40.36	
Nov 14	33.63	40.36	
Dec 14	33.63	40.36	
Jan 15	32.93	39.52	
Feb 15	32.93	39.52	
Mar 15	32.93	39.52	
Apr 15	32.93	39.52	
May 15	32.93	39.52	
Jun 15	32.93	39.52	
	399.36	398.56	0.80

Delta Dental PPO

Month	Premium Rate	Employer Contribution	
Jul 14	86.61	—	
Aug 14	86.61	—	
Sep 14	86.61	103.93	
Oct 14	86.61	103.93	
Nov 14	86.61	103.93	
Dec 14	86.61	103.93	
Jan 15	86.61	103.93	
Feb 15	86.61	103.93	
Mar 15	86.61	103.93	
Apr 15	86.61	103.93	
May 15	86.61	103.93	
Jun 15	86.61	103.93	
	1,039.32	1,039.32	0.00

Appendix IV: Alternative Employer Contribution Using FY-16 Rates

Medical Plan	Active Employees as of 1 Nov 14	Active Employees as of 1 Apr 15	Average Number of Active Employees [a]	Monetary Difference of Tenthly Rate and Premium [b]	Average Employees X Rate Difference
UHC – NW 1 – Tier 1	1,172	1,236	1,204	(0.01)	$ (12.04)
UHC – NW 1 – Tier 2	1,036	1,064	1,050	(0.02)	(21.00)
UHC – NW 1 – Tier 3	2,365	2,441	2,403	0.00	0.00
UHC – NW 2 – Tier 1	262	254	258	(0.02)	(5.16)
UHC – NW 2 – Tier 2	188	180	184	0.02	3.68
UHC – NW 2 – Tier 3	331	319	325	0.00	0.00
UHC – NW 3 – Tier 1	204	201	203	(0.02)	(4.06)
UHC – NW 3 – Tier 2	167	159	163	0.02	3.26
UHC – NW 3 – Tier 3	276	279	278	(0.01)	(2.78)
UHC – PPO – Tier 1	145	152	149	(0.01)	(1.49)
UHC – PPO – Tier 2	109	121	115	0.02	2.30
UHC – PPO – Tier 3	152	172	162	0.00	0.00
Kaiser – Tier 1	1,668	1,735	1,702	(0.02)	(34.03)
Kaiser – Tier 2	1,410	1,428	1,419	0.01	14.19
Kaiser – Tier 3	2,219	2,267	2,243	0.00	0.00
Total	***11,704***	***12,008***	***11,856***		***$ (57.13)***

Source: OIA analysis

Note: [a] Does not calculate to the total average employees due to rounding

[b] Difference between the premium and the tenthly rate (Employer Contribution) for each plan are illustrated on pages 22 through 24.

NW (United Health Care Network)

PPO (United Health Care Preferred Provider Organization)

San Diego Unified School District
Calculation of the Annual Difference between the Monthly Premium Rate and Employer Contribution
For UHC Networks and Preferred Provider Plan (PPO)
For the Period 1 July 2015 through 30 June 2016

Network 1 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 15	574.91	—	
Aug 15	574.91	—	
Sep 15	574.91	689.89	
Oct 15	574.91	689.89	
Nov 15	574.91	689.89	
Dec 15	574.91	689.89	
Jan 16	613.00	689.89	
Feb 16	613.00	735.60	
Mar 16	613.00	735.60	
Apr 16	613.00	735.60	
May 16	613.00	735.60	
Jun 16	613.00	735.60	
	7,127.46	7,127.45	(0.01)

Network 1 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 15	1,136.27	—	
Aug 15	1,136.27	—	
Sep 15	1,136.27	1,363.52	
Oct 15	1,136.27	1,363.52	
Nov 15	1,136.27	1,363.52	
Dec 15	1,136.27	1,363.52	
Jan 16	1,213.00	1,363.52	
Feb 16	1,213.00	1,455.60	
Mar 16	1,213.00	1,455.60	
Apr 16	1,213.00	1,455.60	
May 16	1,213.00	1,455.60	
Jun 16	1,213.00	1,455.60	
	14,095.62	14,095.60	(0.02)

Network 1 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 15	1,595.25	—	
Aug 15	1,595.25	—	
Sep 15	1,595.25	1,914.30	
Oct 15	1,595.25	1,914.30	
Nov 15	1,595.25	1,914.30	
Dec 15	1,595.25	1,914.30	
Jan 16	1,702.00	1,914.30	
Feb 16	1,702.00	2,042.40	
Mar 16	1,702.00	2,042.40	
Apr 16	1,702.00	2,042.40	
May 16	1,702.00	2,042.40	
Jun 16	1,702.00	2,042.40	
	19,783.50	19,783.50	0.00

Network 2 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 15	746.32	—	
Aug 15	746.32	—	
Sep 15	746.32	895.58	
Oct 15	746.32	895.58	
Nov 15	746.32	895.58	
Dec 15	746.32	895.58	
Jan 16	812.00	895.58	
Feb 16	812.00	974.40	
Mar 16	812.00	974.40	
Apr 16	812.00	974.40	
May 16	812.00	974.40	
Jun 16	812.00	974.40	
	9,349.92	9,349.90	(0.02)

Network 2 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 15	1,478.83	—	
Aug 15	1,478.83	—	
Sep 15	1,478.83	1,774.60	
Oct 15	1,478.83	1,774.60	
Nov 15	1,478.83	1,774.60	
Dec 15	1,478.83	1,774.60	
Jan 16	1,611.00	1,774.60	
Feb 16	1,611.00	1,933.20	
Mar 16	1,611.00	1,933.20	
Apr 16	1,611.00	1,933.20	
May 16	1,611.00	1,933.20	
Jun 16	1,611.00	1,933.20	
	18,538.98	18,539.00	0.02

Network 2 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 15	2,078.00	—	
Aug 15	2,078.00	—	
Sep 15	2,078.00	2,493.60	
Oct 15	2,078.00	2,493.60	
Nov 15	2,078.00	2,493.60	
Dec 15	2,078.00	2,493.60	
Jan 16	2,263.00	2,493.60	
Feb 16	2,263.00	2,715.60	
Mar 16	2,263.00	2,715.60	
Apr 16	2,263.00	2,715.60	
May 16	2,263.00	2,715.60	
Jun 16	2,263.00	2,715.60	
	26,046.00	26,046.00	0.00

UHC Networks and PPO

Network 3 – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 15	861.87	—	
Aug 15	861.87	—	
Sep 15	861.87	1,034.24	
Oct 15	861.87	1,034.24	
Nov 15	861.87	1,034.24	
Dec 15	861.87	1,034.24	
Jan 16	962.00	1,034.24	
Feb 16	962.00	1,154.40	
Mar 16	962.00	1,154.40	
Apr 16	962.00	1,154.40	
May 16	962.00	1,154.40	
Jun 16	962.00	1,154.40	
	10,943.22	10,943.20	(0.02)

Network 3 – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 15	1,709.83	—	
Aug 15	1,709.83	—	
Sep 15	1,709.83	2,051.80	
Oct 15	1,709.83	2,051.80	
Nov 15	1,709.83	2,051.80	
Dec 15	1,709.83	2,051.80	
Jan 16	1,910.00	2,051.80	
Feb 16	1,910.00	2,292.00	
Mar 16	1,910.00	2,292.00	
Apr 16	1,910.00	2,292.00	
May 16	1,910.00	2,292.00	
Jun 16	1,910.00	2,292.00	
	21,718.98	21,719.00	0.02

Network 3 – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 15	2,403.61	—	
Aug 15	2,403.61	—	
Sep 15	2,403.61	2,884.33	
Oct 15	2,403.61	2,884.33	
Nov 15	2,403.61	2,884.33	
Dec 15	2,403.61	2,884.33	
Jan 16	2,685.00	2,884.33	
Feb 16	2,685.00	3,222.00	
Mar 16	2,685.00	3,222.00	
Apr 16	2,685.00	3,222.00	
May 16	2,685.00	3,222.00	
Jun 16	2,685.00	3,222.00	
	30,531.66	30,531.65	(0.01)

PPO – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 15	705.96	—	
Aug 15	705.96	—	
Sep 15	705.96	847.15	
Oct 15	705.96	847.15	
Nov 15	705.96	847.15	
Dec 15	705.96	847.15	
Jan 16	728.00	847.15	
Feb 16	728.00	873.60	
Mar 16	728.00	873.60	
Apr 16	728.00	873.60	
May 16	728.00	873.60	
Jun 16	728.00	873.60	
	8,603.76	8,603.75	(0.01)

PPO – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 15	1,378.93	—	
Aug 15	1,378.93	—	
Sep 15	1,378.93	1,654.72	
Oct 15	1,378.93	1,654.72	
Nov 15	1,378.93	1,654.72	
Dec 15	1,378.93	1,654.72	
Jan 16	1,415.00	1,654.72	
Feb 16	1,415.00	1,698.00	
Mar 16	1,415.00	1,698.00	
Apr 16	1,415.00	1,698.00	
May 16	1,415.00	1,698.00	
Jun 16	1,415.00	1,698.00	
	16,763.58	16,763.60	0.02

PPO – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 15	1,927.35	—	
Aug 15	1,927.35	—	
Sep 15	1,927.35	2,312.82	
Oct 15	1,927.35	2,312.82	
Nov 15	1,927.35	2,312.82	
Dec 15	1,927.35	2,312.82	
Jan 16	1,973.00	2,312.82	
Feb 16	1,973.00	2,367.60	
Mar 16	1,973.00	2,367.60	
Apr 16	1,973.00	2,367.60	
May 16	1,973.00	2,367.60	
Jun 16	1,973.00	2,367.60	
	23,402.10	23,402.10	0.00

San Diego Unified School District
Calculation of the Annual Difference between the Monthly Premium Rate and Employer Contribution
For Kaiser Health Plans
For the Period 1 July 2015 through 30 June 2016

Kaiser – Tier 1

Month	Premium Rate	Employer Contribution	
Jul 15	502.42	—	
Aug 15	502.42	—	
Sep 15	502.42	602.90	
Oct 15	502.42	602.90	
Nov 15	502.42	602.90	
Dec 15	502.42	602.90	
Jan 16	529.00	602.90	
Feb 16	529.00	634.80	
Mar 16	529.00	634.80	
Apr 16	529.00	634.80	
May 16	529.00	634.80	
Jun 16	529.00	634.80	
	6,188.52	6,188.50	(0.02)

Kaiser – Tier 2

Month	Premium Rate	Employer Contribution	
Jul 15	992.39	—	
Aug 15	992.39	—	
Sep 15	992.39	1,190.87	
Oct 15	992.39	1,190.87	
Nov 15	992.39	1,190.87	
Dec 15	992.39	1,190.87	
Jan 16	1,044.00	1,190.87	
Feb 16	1,044.00	1,252.80	
Mar 16	1,044.00	1,252.80	
Apr 16	1,044.00	1,252.80	
May 16	1,044.00	1,252.80	
Jun 16	1,044.00	1,252.80	
	12,218.34	12,218.35	0.01

Kaiser – Tier 3

Month	Premium Rate	Employer Contribution	
Jul 14	1,399.05	—	
Aug 14	1,399.05	—	
Sep 14	1,399.05	1,678.86	
Oct 14	1,399.05	1,678.86	
Nov 14	1,399.05	1,678.86	
Dec 14	1,399.05	1,678.86	
Jan 15	1,473.00	1,678.86	
Feb 15	1,473.00	1,767.60	
Mar 15	1,473.00	1,767.60	
Apr 15	1,473.00	1,767.60	
May 15	1,473.00	1,767.60	
Jun 15	1,473.00	1,767.60	
	17,232.30	17,232.30	0.00

Appendix V: Comments from the Chief Financial Officer

San Diego Unified
SCHOOL DISTRICT

Jenny Salkeld
Chief Financial Officer
Finance Division
jsalkeld@sandi.net
619.260.5443 • 619.725.7692 fax

TO: J. Cashmon

FROM: J. Salkeld

DATE: September 26, 2016

SUBJECT: **RESPONSE – FOLLOW UP OF THE AUDIT OF MEDICAL AND DENTAL INSURANCE LIABILITIES**

In response to the recommendations noted in the report, the Chief Financial Officer and Director of Payroll and Benefits reviewed the details and concurs in principle with the findings. Below are the specifics and the anticipated timeframes to address:

Recommendation #1: Continue reconciliation of accruals and establish a tolerable risk level for differences.

The Financial Accounting and Benefits departments will continue to evaluate the medical and dental insurance accruals to the invoices paid on a monthly basis and at fiscal year-end. Given the operational volume for approximately 12,000 employees and 3,500 retirees, there are operational timing differences that will arise month to month. Internal controls were established to provide oversight of the activity and minimize the impacts of any differences. The document that will support a tolerable risk threshold will include an analysis of the enrollment, premiums, and accruals, which will be reviewed by the management team.

Recommendation #2: Employer liability account adjustments should be made to the original funding source of the payroll or benefits transaction.

As was shared with the Internal Audit team, the District processes over $180 million in medical premiums and $12 million dental premiums on an annual basis. The reconciliation of the high-volume of transactions from the district's General Fund and various funds would require a considerable investment of staff time and yield a minimal financial benefit.

Recommendation #3: Consideration regarding the development of an automated test comparing premium rates to individual employee accruals.

The Financial Accounting and Benefits departments will evaluate this recommendation and will continue to monitor data periodically through the fiscal year.

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Recommendation #4: Evaluate the feasibility of changing the calculation of the employer contribution to reflect a five-month distribution for current and future medical insurance premiums.

The Chief Financial Officer and Director of Payroll and Benefits will evaluate the recommendation with Finance and Information Technology staff to determine if this is a viable option with the current technology infrastructure.

JS:dn