AUDITORS' REPORT

Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits

FISCAL YEARS ENDED JUNE 30, 2022, 2023, AND 2024

STATE OF CONNECTICUT
Auditors of Public Accounts

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September 2, 2026

INTRODUCTION

We are pleased to submit this audit of the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits for the fiscal years ended June 30, 2022, 2023, and 2024 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies and instances of noncompliance with laws, regulations, or policies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Bernardo Barron
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Approved:

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STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits disclosed the following three recommendations, of which two were repeated from the previous audit.

Finding 1

Healthcare Refunds of Overpayments

Background

The Office of the State Comptroller maintains records of payments to medical providers. Changes in processed medical claims are refunded to the state and recorded in the claims detail during reprocessing. The detail shows a reversal of the original claim and a new paid claim which nets out to the credit on the bimonthly medical claims reports.

Criteria

The contract between the Office of the State Comptroller Healthcare Policy and Benefit Services Division and the healthcare contractor requires the contractor to seek refunds of all excess, duplicate, or erroneous payments on claims billed to the Comptroller and return 100% of recovered overpayments to the state. Sound business practices dictate that the Healthcare Policy and Benefit Services Division should verify invoice credit amounts.

Condition

The division did not have a process to reconcile overpayment credits and adjustments to supporting documentation on monthly healthcare contractor invoices. The division was unable to verify the total monthly credits were supported and applied correctly.

Context

In calendar year 2025, contractors refunded $24,971,012 in overpayments and adjustments to the state.

Effect

The failure to verify these credits may result in the state overpaying healthcare contractors.

Cause

OSC lacked a report containing necessary data for the reconciliation during the audited period.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2020 through 2021.

Recommendation

The Office of the State Comptroller should implement internal controls to ensure it correctly credits all overpayments due to the state.

Agency Response

"We agree with this finding.

As a result of the prior audit findings, the Division has established regular reporting with the State's health insurance carrier to provide the Division with detailed reports regarding overpayments. To date, the carrier's reports are not sufficient for the level of detail required to directly align with the credit values associated with each invoice.

The carrier's current system reports any overpayment adjustment on a claim, even if that overpayment adjustment occurs before the actual final claim payment. In doing so, the adjustments and overpayments noted on the reports provided are inflated in comparison to the actual invoice credits (for example, a claim that is submitted for $500 and is immediately adjusted to $400 before the claim is paid to the provider). There would not be a credit to the State on the invoice because the overpayment was accounted for before the claim was paid, but the $100 claim adjustment overpayment is included in the backup reporting received.

The Division has extensively reviewed this concern in its review of implementation activities with this vendor. The carrier is confirming mechanisms in order to appropriately produce a more granular detailed level of information that the Division requires to align all actual overpayments to specific credits received."

Finding 2

Payments to Healthcare Contractors

Background

The Office of the State Comptroller makes bimonthly claims and administration fee payments to its healthcare contractors. The office contracted with four companies for medical, dental, and prescription insurance, and the administration of the health enhancement program.

Criteria

Sound business practices dictate the office should reconcile the amounts healthcare contractors bill the state, including a focus on administrative fees.

Condition

We selected 26 payments, with administrative fees, to the four health care contractors to review for accuracy. We were unable to verify the accuracy for 22 of the administrative fees, totaling $9,579,206, due to lack of proper support.

Context

We haphazardly selected 60 payments to health care contractors. We selected ten payments for each of the four vendors in fiscal years 2022 and 2023 and five payments each in fiscal year 2024. Twenty-six payments included fees that totaled $18,897,024.

Effect

The state could be overpaying for benefits and services.

Cause

OSC appeared to lack sufficient information to verify the contractors' administrative fees. The office did not provide us its administrative fee verification methodology.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2020 through 2021.

Recommendation

The Office of the State Comptroller should adopt written procedures and document its reconciliations of payments to healthcare contractors to ensure it pays the proper amount for benefits and services.

Agency Response

"We agree with this finding in part.

Each month the OSC Healthcare Benefits Billing Unit administers an internal Core-CT benefits process to calculate the number of covered employees and retirees for the applicable billing period. This process identifies all enrolled active employees and retirees, their coverage elections, and any necessary prior month adjustments.

The administrative billing process varies by healthcare vendor. For dental benefits, the Office self-reports the total premium amount to the dental carrier and remits payment calculated in the Core-CT remittance process. For the medical, pharmacy, and member advocacy/Health Enhancement Program (HEP) vendors, Core-CT enrollment data alone does not capture the full enrolled population. Accordingly, the medical carrier provides a monthly administrative billing report that includes enrollment counts by billing classification. These classifications include active employees, retirees, and special enrollment groups.

Special enrollment groups include:

- COBRA (active and retiree COBRA participants and eligible dependents);

- Direct Pay participants (including Connecticut Health Insurance Exchange participants, Probate Judges and Employees, and Services for the Blind); and

- Special groups authorized under Connecticut General Statutes § 5-259, such as former legislators, state marshals, and surviving dependents of fallen heroes.

Enrollment administration for these special groups is performed by the medical carrier and not the Office. The carrier maintains the enrollment records for these populations and transmits eligibility information to the pharmacy and member advocacy/HEP vendors. Active employee and retiree eligibility is reconciled each month against a full eligibility file generated from Core-CT.

Currently, OSC validates vendor invoices by comparing the billed enrollment totals to the Core-CT remittance process for reasonableness and consistency. The medical carrier's invoice provides a detailed breakdown of members by administrative billing category but does not currently include participant-level identifiers (such as subscriber IDs or employee IDs) that would allow for a direct record-by-record reconciliation.

As part of the current implementation activities, the carrier has enhanced its enrollment structure. The Office will ensure that its vendor expands the monthly reporting to include participant identifiers and additional billing classification fields. These enhancements will enable the Office to perform detailed participant-level reconciliations between vendor invoices and the Core-CT remittance files, further strengthening billing validation and accuracy."

Auditors' Concluding Comments

The Office of the State Comptroller is ultimately responsible for the payment of administrative fees for all enrollment types. The office should obtain and document the necessary detailed information to ensure the accuracy of contractor billing.

Finding 3

Reporting and Communication Deficiencies

Criteria

Sound internal controls require agencies to have procedures to review and confirm the accuracy of journal entries and financial reporting.

Each year, the Budget and Financial Analysis Division of the Office of the State Comptroller (OSC) requires the Healthcare Policy and Benefit Services Division to prepare and submit information needed to report on the state's financial position.

Condition

The Healthcare Policy and Benefit Services Division incorrectly booked two journal entries, which were not identified and corrected until the following fiscal year.

- In fiscal year 2023, the division recorded a $12,908,709 payment to the wrong fund. The division identified the error in fiscal year 2024 and made an adjustment to correct the error. However, it booked the adjusting entry incorrectly and had to correct it in fiscal year 2025.

- In fiscal year 2024, the division incorrectly booked a transfer of $54,367,739 and adjusted it in fiscal year 2025.

OSC failed to update the adjusting group life insurance fund balance for fiscal years 2024 and 2025.

Context

The state ended fiscal years 2023, 2024, and 2025 with $55,943,679,000, $63,693,295,000, and $70,924,289,000 in fiduciary fund net position, respectively.

Effect

A lack of journal entry reviews and requested documentation increases the risk of inaccurate financial statements.

Cause

The Healthcare Policy and Benefit Services Division's review process was insufficient to ensure accurate financial reporting. OSC did not update the group life insurance fund balance due to a breakdown in communication between the Budget and Financial Analysis and the Healthcare Policy and Benefit Services divisions.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Office of the State Comptroller should improve its efforts to review the accuracy of journal entries and ensure it annually updates the group life insurance fund balance.

Agency Response

"The Division agrees with this finding in part.

It recognizes the errors in data entry on the noted invoice payments and associated journal entries in issues 1 and 2. When the errors were initially identified, the Office established a process to include a second level review of all payment entries prior to submission. All invoices are received and reviewed for accuracy by a Retirement & Benefits Officer in our Office's Accounting, Auditing & Partnership Administration Unit, and associated payment vouchers are then entered into the Core-CT Financials module by a different Retirement & Benefits Officer. All entered vouchers are then reviewed for accuracy prior to approval by a Retirement & Benefits Systems Coordinator. Likewise, all journal entries are prepared by a Retirement & Benefits Officer. Those entries are reviewed prior to

submission by either a Retirement & Benefits Systems Coordinator or Assistant Division Director.

With regard to issue 3, email records note that the appropriate life insurance information was provided to the Budget and Fiscal Analysis Division (BFA) for fiscal years 2024 and 2025. Upon request, 2024 data was emailed to a BFA employee on January 9, 2024, and 2025 data was emailed to a BFA employee on October 2, 2025."

Auditors' Concluding Comments

There appears to be a breakdown in communications between two OSC divisions. The office should work to improve communications between those divisions.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits contained four recommendations. Two have been implemented or otherwise resolved and two have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Office of the State Comptroller should implement internal controls to ensure it correctly credits all overpayments due to the state.	REPEATED Recommendation 1
The Office of the State Comptroller should perform reconciliations of payments to healthcare contractors to ensure it pays the proper amount for benefits and services.	REPEATED Modified Form Recommendation 2
The Office of the State Comptroller should improve its internal controls to ensure it correctly calculates life insurance coverage amounts in accordance with Section 5-257(d) of the General Statutes. The office should correct errors resulting from the miscalculation of plan member life insurance coverage.	RESOLVED
The Office of the State Comptroller should establish internal controls to ensure that it properly reviews and supports contribution refunds prior to processing.	RESOLVED

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2022, 2023, and 2024. The objectives of our audit were to evaluate the:

1. Office's internal controls over significant management and financial functions;

2. Office's compliance with policies and procedures internal to the office or promulgated by other state agencies, as well as certain legal provisions; and

3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included healthcare contributions and refunds, healthcare and dental dependent eligibility, group life insurance, and healthcare vendor payments for active and retired state employees. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the office. We also tested selected transactions. Our transaction selections were designed to provide sufficient and appropriate evidence to support our findings, conclusions, and recommendations. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the office's management and state information systems. It was not subject to our audit procedures. For the areas audited, we:

1. Identified deficiencies in internal controls;

2. Identified apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. Did not identify a need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Office of the State Comptroller – State Employee and Retiree Healthcare and Other Benefits.

ABOUT THE AGENCY

Overview

The Office of the State Comptroller operates primarily under the provisions of Article Fourth, Section 24, of the State Constitution, and Title 3, Chapter 34 of the General Statutes. The Office of the State Comptroller's Healthcare Policy and Benefit Services Division administers benefits programs for all state employees, retirees and their families including medical, pharmacy, and dental benefits. The division is also responsible for the contract procurement, administration, and evaluation of these programs. In addition, the division administers the state employees defined contribution plans and coordinates group life insurance, unemployment insurance, and supplemental benefits.

Organizational Structure

Kevin Lembo was elected State Comptroller in November 2010 and served until his resignation on December 31, 2021. Governor Lamont appointed Natalie Braswell to succeed Comptroller Lembo for the remainder of his term. Sean Scanlon was elected State Comptroller in November of 2022 and was sworn in on January 4, 2023. Dr. Thomas Woodruff served as director of the Healthcare Policy and Benefit Services Division until February 14, 2022, when he was succeeded by Joshua Wojcik.

Significant Legislative Changes

There were no notable legislative changes that took effect during the audited period.

Financial Information

State Employees' Health Service

An analysis of the total payment of the state's share of state employee health service costs for the audited period follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Expenditures- General Fund:			
Employer's Share- State Employees	$ 672,861,928	$ 716,534,964	$ 627,692,142
Expenditures- Transportation Fund:			
Employer's Share- State Employees	53,328,815	56,538,127	62,167,985
Grand Total- Employer's Share- State Employees	**$ 726,190,743**	**$ 773,073,091**	**$ 689,860,127**

Retired State Employees' Health Service

The state appropriated and transferred $738,009,000, $763,959,000, and $694,803,210 to cover its share of health insurance costs for eligible retirees during the 2022, 2023, and 2024 fiscal years, respectively. The state spent $735,548,337, $737,679,078, and $692,952,650 during those fiscal years, respectively.

In the past, the state funded the health insurance benefits for retired employees as costs were incurred. Unlike retirement benefits, the state did not establish a reserve to provide support for future years. During the fiscal year ended June 30, 2008, the Governmental Accounting Standards Board (GASB) implemented Statement No. 45 (GASB 45), which was later replaced by GASB Statement No. 75 (GASB 75) effective for fiscal years beginning after June 15, 2017. GASB 45 required the state to calculate and record the actuarial accrued liability for future health care benefits of retired employees. As a result, in May 2008, the state created the State Employees Other Post-Employment Benefits Plan (SEOPEBP). SEOPEBP is administered by the State Comptroller as a single-employer defined benefit other post-employment benefit (OPEB) plan covering retired state employees receiving benefits from any state-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees Retirement System. SEOPEBP provides healthcare and life insurance benefits to eligible retirees and their spouses. The cost of post-retirement health care benefits is funded through the transfer of General Fund appropriations to the OPEB – State Employees trust fund. The fair market value of the net assets within the fund was as follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Net Assets	$ 2,199,545,124	$ 2,240,137,898	$ 2,667,443,146

As noted above, the state must provide an actuarial valuation of the OPEB liability. Actuarial valuations of the system were prepared as of June 30, 2022, 2023 and 2024. As a result of these valuations, the net OPEB liability for the audited period was as follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Net OPEB Liability	$ 19,527,444,294	$ 15,498,198,665	$ 15,598,624,542

The following table shows the number of enrolled OPEB members for the audited period as follows:

	Fiscal Year Ended June 30,		
Enrolled OPEB Members:	2022	2023	2024
Active Members	49,927	50,078	50,078
Retired members or beneficiaries currently receiving benefits	79,870	85,696	85,696

Partnership Plan

Section 3-123bbb of the General Statutes authorizes the Office of the State Comptroller to offer non-state public and nonprofit employers the option to obtain healthcare, dental, and prescription coverage under a partnership plan. The Partnership Plan is a point-of-service health plan, and shares benefits, administration, and programs with the state health plan.

The Office of the State Comptroller contracts with an independent actuarial firm through a competitive bidding process. The plan is funded by actuarially determined premiums paid by enrolled employers. All premiums are administered by the Office of the State Comptroller for the payments of claims and administrative fees.

An analysis of premiums and claims for the audited period follows:

	Fiscal Year Ended June 30,		
	2022	2023	2024
Partnership Plan Premiums:	$ 622,034,873	$ 634,853,318	$ 613,297,541
Partnership Plan Claims:	$ 659,198,796	$ 611,544,939	$ 572,151,283

Group Life Insurance

Section 5-257 of the General Statutes authorizes the Office of the State Comptroller to procure group life insurance for State of Connecticut employees from an authorized life insurance company. The plan offers basic and supplemental life insurance as optional benefits available to eligible employees. The benefits of basic life insurance are based on an employee's yearly gross compensation as set forth in the Schedule of Basic Life Insurance in Section 5-257(b) of the General Statutes and is reduced at retirement in accordance with Section 5-257(d).