



The City Controller herself tells you City Hall should not raise your taxes "until we get our house in order."

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# \$1.6 million lost handling health plan, Chick says

By Rick Orlov, Staff Writer  
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The city of Los Angeles overpaid \$1.2million in insurance premiums for employees last year and paid millions more too quickly, which cost some \$400,000 in lost interest, according to an audit released Tuesday.

LINK: [City employee benefits audit \(PDF\)](#)

Calling it symptomatic of broader city spending problems, City Controller Laura Chick also found that the city had underpaid premiums for disability insurance, meaning some employees who had signed up for the program might not have been covered.

"A lot of these problems can be solved by simply doing a reconciliation of the payments," Chick said. "But it's part of a bigger problem we have in the city in collecting data and watching how our money is spent."

The audit said the accounting errors occurred in the Personnel Department, which oversees payments for medical, dental, life and disability insurance for about 28,000 city employees.

The department overpaid an estimated \$1.2million in insurance premiums for employees last year, money that will be hard to recover, according to the audit, which says the estimate was based on projections from dozens of cases.

While the amount represents a small percentage of city government's \$242million in insurance premiums, it highlights the problem in accounting for money, Chick said.

"In programs this large, even a small percent adds up to hundreds of thousands of dollars," Chick said. "And we shouldn't think of asking taxpayers for more money until we get our house in order."

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The audit also said the city was paying insurance vendors too quickly in the 2006-07 fiscal year, the period reviewed. On average, the city paid invoices 17 days too early.

Had the money remained in city bank accounts for the extra 17 days, it would have earned as much as \$397,000 in interest in the fiscal year ended in June, it said.

"To maximize interest earnings ... departments should pay vendors as close to the due date as possible," the audit said.

The audit found that the city overpaid in some cases when a city employee transferred to another department not covered by the same insurance, but the city continued to pay the premiums.

In other cases, the city continued to pay premiums for employees no longer eligible for insurance.

"Most of the \$1.2million may not be recoverable

from the providers because the city instructed the providers to cover employees who should not have been covered," the audit said.

Officials in the Personnel Department said they did not believe the losses were as high as determined by Chick, but they were taking steps to resolve the problems. Among Chick's recommendations:

The Personnel Department must work better with the firm hired to oversee the payments.



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The department should consider paying invoices via wire transfers to maximize interest.  
 Monitoring of domestic-partner coverage should be improved.  
 A system should be created to end coverage of student dependents quickly when proper documentation is not provided by employees.  
 rick.orlov@dailynews.com 213-978-0390

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