

CITY OF BRIGANTINE



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November 25, 2025

Office of the State Comptroller
Attn: Marcelo Torreblanco, Auditor, Audit Division

Re: City of Brigantine – Official Response to OSC Follow-Up Review

Dear Office of the State Comptroller:

On behalf of the City of Brigantine, please accept this correspondence as the City's **formal transmittal** of its official response to the New Jersey Office of the State Comptroller's Follow-Up Review.

The enclosed documentation represents the City's comprehensive response to each finding of "partially or not implemented" and recommendation outlined in the OSC report. This response has been reviewed and approved through the appropriate administrative channels and reflects the City's official position. We appreciate the opportunity to clarify several items noted in the review and to demonstrate the corrective measures and process improvements the City has implemented.

Should your office require any additional information, supporting documentation, or clarification regarding any portion of our response, please feel free to contact me directly.

Thank you for your time and continued collaboration.

Sincerely,
Tiger Platt

Tiger Platt

Digitally signed by Tiger Platt
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Date: 2025.11.24 16:48:36 -0500

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Recommendation 5

Ensure that timesheets document the reasons for any overtime worked as required.

Status: Partially Implemented

Our 2022 Audit found that although Brigantine's internal controls system for overtime payments was adequately designed, the City did not consistently document reasons for overtime on their timesheets. The City advised in its corrective action plan that steps were taken to address this recommendation.

We reviewed a correspondence reminding City employees to properly complete their timesheets, specifically requiring them to include reasons for any overtime worked. Additionally, we judgmentally sampled timesheets from employees who earned overtime in 2024 to verify whether the reason for overtime was recorded. A review of 32 timesheets for 12 employees found five instances of overtime worked without a specified reason.

We consider this recommendation partially implemented due to the correspondence sent to employees. However, our testing revealed several instances in which reasons for worked overtime were not documented. We encourage the City to ensure that a justification for all overtime worked is properly recorded.

City of Brigantine Response to Recommendation 5:

In the 2025 follow-up review, OSC's judgmental sample identified five instances, across 32 timesheets and 12 employees, where the overtime reason was not entered. While we acknowledge these individual errors, we believe the results actually reflect that the City's corrective measures have been largely effective. The isolated omissions appear to stem from employee oversight at the data-entry level rather than from any deficiency in the City's internal control framework, supervisory review process, or guidance provided.

Given the small number of exceptions relative to the volume of overtime hours worked citywide, and the preventive and detective controls already in place, we believe the City has substantially implemented this recommendation. Nevertheless, we remain committed to continuous improvement. The City will reinforce the requirement again with all departments, enhance supervisor accountability for timesheet review, and continue periodic spot checks to ensure full adherence moving forward.

In summary, the City maintains that the recommendation has been effectively addressed through documented corrective actions, updated guidance, and ongoing monitoring. The minor instances noted in the audit represent human error rather than a systemic issue, and the City will take additional steps to ensure full compliance.

Recommendation 8

Eliminate waiver payments to employees receiving City-provided health insurance through a family member.

Status: Not Implemented

Our 2022 Audit found that the City made wasteful health benefit waiver payments to employees receiving City-provided health insurance through a family member. We reported that under the City's approach, if related employees are both eligible for City-provided health insurance coverage, one employee may receive payment for waiving coverage while also receiving the City's health insurance coverage through their eligible family member. As a result, employees 'double dip' and receive waiver payments while simultaneously receiving health benefits from the City, which causes additional wasteful costs to taxpayers."

We noted that the Division of Local Government Services, within the Department of Community Affairs, issued Local Finance Notice 2016-10 to advise local governments that they have sole discretion regarding whether to offer employees payment for the waiver of health benefits because health benefit waiver payments are statutorily prohibited from being subject to the collective bargaining process.

That notice states:

Local Units Encouraged to Review Existing Policy on Healthcare Waiver Payments

Prior to municipal officers and employees being required to substantially share in the cost of their health benefits, there was less incentive to waive the local unit's coverage even if alternative coverage existed. Offering payments in lieu of health benefits often functioned as the only practical means by which local units could achieve a waiver of coverage and thus save taxpayer dollars. However, the increased amount that employees must now contribute under the law will often be a sufficiently strong incentive for them to waive coverage through the local unit without the need for a waiver payment in situations where alternative coverage, for example through a spouse's coverage, is available. Therefore, the Division strongly recommends that the governing body of each local unit authorizing payments in lieu of health benefits annually review, and have a thorough discussion about, their policy, its impact on the local unit's budget, and whether such waiver payments remain fiscally prudent.

We recommended the City eliminate the payments because they are intended to save taxpayer dollars, but as noted above, appear to be an unnecessary giveaway because employees are unlikely to pay twice for insurance. This point is especially salient when the employee receiving the waiver payment is also receiving health insurance from the City itself. Our 2022 Audit found the wasteful payments totaled approximately \$64,300. These payments were a portion of

\$542,000 in waiver payments made from 2019 to 2021 (with the remainder going to employees who did not receive health insurance through other family members who were Brigantine employees). The City advised in its corrective action plan that no action had been taken since the Mayor and Council were still discussing waiver payments.

During our review, we found that in 2024, the City paid a total of \$208,300 in waiver payments to 51 employees. Three of these employees received both health coverage paid for in part by the City and waiver payments totaling \$15,000.

The City explained it is not legally required to stop health waiver payments to employees covered by its health insurance. The City wrote that other employees “have the opportunity to receive the opt-out payment” and that the City therefore “chose to extend the same option to . . . two individuals for consistency and to support workplace morale.”

We consider this recommendation not implemented due to the City’s decision to continue health benefit waiver payments to employees receiving City-provided health insurance through a family member. As a cost-savings opportunity, we encourage the City to discontinue these waiver payments for all employees who are covered by the City’s health insurance.

City of Brigantine Response to Recommendation 8:

The City of Brigantine respectfully disagrees with the characterization that its health benefit waiver payments constitute “wasteful spending,” particularly for employees who receive coverage through a family member also employed by the City. Under current state law, municipalities outside the State Health Benefits Program retain full discretion to authorize waiver payments, and the City’s program is fully compliant with all statutory and regulatory requirements.

The OSC recommendation appears to assume that waiver payments inherently generate unnecessary costs. However, in practice, the opposite is true. When employees elect to waive health coverage, the City avoids the substantially higher cost of insuring that employee—costs that far exceed the value of the waiver payment itself. Even when the alternative coverage is provided through another City-insured family member, the marginal cost to the City of adding a dependent to an existing plan is significantly lower than enrolling an additional employee in their own family or single plan. As a result, allowing these employees to waive coverage continues to deliver meaningful cost savings to taxpayers.

Local Finance Notice 2016-10 encourages local units to annually review the fiscal prudence of waiver payments, not to eliminate them. Brigantine conducts this review and has determined that maintaining a consistent waiver policy remains in the best financial interest of the City. In fact, eliminating these payments would likely reduce participation in the opt-out program and result in higher health insurance expenditures overall.

Additionally, applying the waiver program uniformly is critical for maintaining internal equity and workplace morale. Offering the waiver option to all eligible employees ensures fairness,

reinforces transparency, and avoids creating carve-outs that could undermine employee trust or raise legitimate labor-management concerns—even though the subject is not collectively negotiable.

While the follow-up audit cites \$15,000 in waiver payments to employees covered under a family plan, this figure must be assessed alongside the avoided premium costs associated with those employees waiving separate coverage. When evaluated on a net-cost basis, the City's program continues to produce savings rather than additional taxpayer burden.

For these reasons, the City maintains that its current waiver policy is lawful, fiscally prudent, and consistent with both the letter and spirit of Local Finance Notice 2016-10. We will continue to review the program annually to ensure that it remains financially advantageous and aligned with responsible stewardship of public funds.

Recommendation 10

Substantiate the data received by the insurance broker to ensure the analysis includes accurate and relevant data concerning rates, employee contributions, and employee health benefit waivers. Request that the broker provide support for its analysis.

Status: Not Implemented

Our 2022 Audit found the City failed to substantiate 2021 rate information and assumptions in its health insurance broker's cost analysis resulting in the potential loss of \$191,000 in healthcare savings. We also found that there was an inherent conflict between the broker's and the municipality's interests and that the broker's analysis failed to discuss substantially cheaper insurance available to the municipality, which would have resulted in savings of approximately \$439,200. We concluded that "the broker's presentations lacked all relevant plan options for City officials to make an unbiased decision for the most cost-efficient health insurance plan."

We cautioned municipal officials about their overreliance on the broker, stating: The broker does not earn a commission if the City participates in the State Health Benefits Program (SHBP). It is, therefore, extremely important that the City independently review the information provided by the broker to ensure it is accurate, relevant, and presented in an unbiased manner. Municipalities must ensure transparency during the healthcare selection process and not simply defer to a person with a financial self-interest in persuading the City to not use the SHBP.

The City advised in its corrective action plan that prior to the award of 2023 brokerage services, the broker submitted additional information with relevant information from the SHBP. During our review, we found that the City did not conduct a formal review of the information presented by the health insurance broker in 2024. Our review of the broker's 2024 presentation found that the information provided included additional SHBP plans, appropriate rates, and

reasonable waiver payment assumptions. However, we noted that similar to the 2022 Audit, the broker's presentation again failed to present a complete and accurate analysis. The broker again failed to consider employee contributions for dental and vision coverage when presenting the SHBP costs. This oversight resulted in an overstatement of approximately \$46,700.

We consider this recommendation not implemented due to the City's lack of a formal review of the information provided by the health insurance broker. The conflicts of interest that are present whenever a broker is paid on commission remain. Given the high risk and documented tendency for brokers to misrepresent the actual costs of alternative health insurance options, we continue to urge the City to either independently verify the comparison rates received from the health insurance broker or to require external supporting documentation to substantiate the information provided.

City of Brigantine Response to Recommendation 10:

The City of Brigantine respectfully disagrees with the conclusion that Recommendation 10 was "not implemented." While we acknowledge the need for careful, informed review of all health insurance data, the City has taken meaningful steps since the 2022 Audit to ensure that information provided by the broker is comprehensive, accurate, and considers relevant plan options, including SHBP.

Following the 2022 Audit findings, the City required its broker to provide expanded information, including SHBP rate data, plan comparisons, and waiver assumptions, prior to awarding the 2023 brokerage contract. This requirement directly addressed OSC's concern regarding the completeness of plan options and demonstrated a clear shift away from overreliance on the broker's internal assumptions. The broker's 2024 presentation reflected these changes, including the incorporation of additional SHBP plans and updated rate information.

With respect to the OSC's concern about the omission of employee contributions for dental and vision coverage, the City views this as a minor analytical discrepancy rather than a material misrepresentation of costs. Dental and vision coverage represent a relatively small fraction of total health insurance expenditures, and the identified variance, approximately \$46,700, must be considered in the context of the City's overall health insurance budget, which exceeds several million dollars annually. This type of marginal deviation is not uncommon in complex rate analyses and does not, in the City's view, undermine the overall reliability of the information provided.

Furthermore, the City notes that SHBP participation is determined by a range of factors beyond raw premium comparisons. The SHBP's lack of local control over plan design, the volatility of annual rate increases, and the limited ability to tailor coverage to the unique needs of the City's workforce are all significant considerations. A purely cost-driven comparison, without accounting for service stability, employee relations, and long-term fiscal predictability, risks oversimplifying a complex decision.

We also disagree with the suggestion that the City “failed to conduct a formal review.” City staff, including both the CFO and the City Manager, reviewed the broker’s materials, verified rate tables against publicly available sources, and discussed the assumptions used in projecting SHBP versus private-market costs. While this process may not have been documented in a format the OSC would categorize as “formal,” the City did undertake a substantive review. The absence of a specific checklist or written memorandum should not be interpreted as a lack of oversight.

Finally, while the OSC expresses concerns about the broker’s potential conflict of interest, the City has mitigated this risk by requiring transparent rate documentation, cross-checking key assumptions, and maintaining unfettered access to SHBP data. The City has not outsourced decision-making authority to its broker and remains the final evaluator of all plan alternatives. For these reasons, the City believes that it has substantially implemented Recommendation 10 and that the current process provides sufficient verification, transparency, and oversight to ensure that the City receives accurate and relevant health insurance analysis. The City remains committed to continuous improvement and will enhance its documentation practices to align more closely with OSC’s expectations in future review cycles.

Recommendation 11

Agree upon a flat fee rate, not to exceed the contract amount for insurance broker services, instead of a commission-based payment to mitigate the risk of the broker recommending more expensive health insurance coverage in order to increase its commissions. The flat fee rate should be the only compensation provided to the broker by the City or insurance provider. Any additional compensation received by the broker should be returned to the City or credited to the insurance premiums.

Status: Not Implemented

Our 2022 Audit found that the City failed to verify the information given by its health insurance broker or independently reassess costs using reliable data. Because the broker does not earn a commission if the City opts into the SHBP, it is crucial for the City to independently evaluate the broker's information to ensure its accuracy, relevance, and objectivity. The City advised in its corrective action plan that it would work to accomplish our recommendation with its health insurance broker.

We reviewed the 2024 health insurance broker's bid and found the broker received a two-percent commission rate for medical and prescription plans to be paid by the insurance company. The City did not provide documentation showing that a flat fee rate was requested. They explained that the percentage-based compensation was disclosed in the broker’s bid proposal and discussed during the broker's presentation. The bid proposal however, did not include a disclosure regarding additional compensation that the insurance broker may be eligible for based on performance financial incentives. Based on the 2024 broker's renewal

form, we estimated that the two-percent commission for medical and prescription insurance was approximately \$55,000. As stated in the 2022 Audit, the broker receives a commission directly from participating insurance companies based on healthcare coverage costs and number of enrollees. Additionally, brokers may be eligible to receive additional performance-based financial incentives from insurance companies beyond the aforementioned commissions and payments without disclosing these payments to the governing body and taxpayers. This creates another incentive to avoid promoting forms of insurance that do not provide commissions or other financial incentives.

These hidden bonuses were addressed in OSC's September 9, 2025 report on health insurance funds, Local Government and School Board Health Insurance Funds: A Report on Conflicts of Interest and Procurement Violations, in which OSC wrote:

The risk to taxpayers is enhanced by a lack of transparency regarding payments made to incentivize brokers to bring more business to insurance companies. In addition to the fees permitted for producers, program managers, brokers, risk managers, and administrators under the [Health Insurance Funds' (HIF)] and local units' procurements and contractual arrangements, there is another way to make money that is evidenced through a recurring compensation disclosure in HIF TPA [third party administrator] agreements. This disclosure reserves the insurance carrier's right to pay additional compensation to producers for bringing in business. This results in brokers being entitled to yet another avenue of compensation from insurance carriers with which the HIFs contract. This additional income creates additional hidden incentives for insurance professionals and comes on the backend, outside of the procurement process and without the approval of any public entity. When the public function of running a statewide government-sponsored insurance program is performed by private actors without full competition and without transparency regarding who is paid for what, taxpayers are likely to come out on the losing end.

In sum, undisclosed bonus payments create a further conflict of interest between the broker and City officials seeking the most cost-effective insurance coverage. The existence of these sorts of conflicts of interest, and Brigantine's failure to take any steps to mitigate the potential harm resulting from it, is especially problematic given the repeated inaccuracies and misleading data contained in the City's broker's presentations.

We consider this recommendation not implemented because the City did not agree upon a flat fee rate for the health insurance broker contract. We continue to strongly urge the City to consider a flat fee rate with its broker in the future in order to guard against conflicts of interest and to protect taxpayer funds.

City of Brigantine Response to Recommendation 11:

The City of Brigantine respectfully disagrees with the conclusion that Recommendation 11 was "not implemented," and we do not concur with the suggestion that continuing a commission-based broker structure represents a failure of oversight or a risk to taxpayers.

First and foremost, New Jersey law expressly permits both commission-based and flat-fee compensation structures for insurance brokers. The City is under no legal obligation to adopt a flat-fee model. The OSC's recommendation therefore represents a policy preference, not a compliance requirement. The City's decision to maintain a standard commission-based structure is fully lawful, consistent with long-standing statewide practice, and aligns with the market norms of the municipal health insurance industry.

Second, the City has taken steps to ensure transparency and mitigate the underlying risk of bias, which is the actual concern identified in the 2022 Audit. The broker's commission rate was explicitly disclosed in the bid documents and publicly discussed during the presentation. The City was aware of the compensation structure at the time of contract award, and the governing body made a fully informed decision. Disclosure of potential performance incentives, many of which are industry-standard and highly variable, does not alter the fact that the City exercised due diligence in evaluating the broker's proposal.

Third, commission-based compensation does not inherently compromise objectivity. Brokers operating under a commission structure are subject to state licensing, professional ethics requirements, contract obligations, and reputational risk. Moreover, the City does not rely exclusively on broker presentations when making health plan decisions. City staff independently review rate tables, SHBP comparisons, renewal documentation, and underlying cost assumptions. This multi-layered review process substantially mitigates the theoretical risk of biased plan recommendations.

Additionally, a flat-fee model is not necessarily more economical. In many instances, a flat-fee approach results in the City paying a fixed cost regardless of claim experience, enrollment changes, or plan design adjustments. Under the commission model, the City incurs no direct budget expenditure for broker services—the cost is borne by the carrier. Converting to a flat fee would shift these costs onto the City budget without guaranteeing any improvement in plan selection or cost outcomes.

Finally, while OSC cites broader concerns about industry-wide incentive structures, these reports describe generalized market conditions, not specific evidence of misconduct or noncompliance by Brigantine's broker. The City's ongoing review of health plan options, including SHBP, demonstrates that we evaluate alternatives on their merits rather than defaulting to broker recommendations.

For these reasons, the City believes that it has reasonably addressed the underlying intent of the recommendation, ensured transparency and guarding against bias, while choosing a compensation model that is lawful, cost-effective, and appropriate for the City's needs. The City remains open to evaluating compensation structures in future procurement cycles but maintains that the current approach does not pose a risk to taxpayers and should not be viewed as a failure to implement corrective action.

Recommendation 12

Seek advice from legal counsel to determine if the broker-supplied information and recommendations for insurance plan selection met all contractual, legal, and ethical obligations for 2019, 2020, and 2021. To the extent legal counsel's review reveals any deficiencies, determine whether the City should pursue an appropriate legal remedy.

Status: Not Implemented

Our 2022 Audit identified discrepancies with the 2019, 2020, and 2021 broker's analyses that included omission of relevant plans, use of inaccurate rates, exclusion of applicable contributions, and unsubstantiated medical waiver payment assumptions. The City advised in its corrective action plan that its counsel determined all contract requirements were met.

During our review, the City was unable to provide evidence that a legal review was conducted on the health insurance broker contracts for 2019, 2020, and 2021, specifically whether the City should pursue an appropriate legal remedy to address the harm caused to Brigantine resulting from the broker's inaccurate proposal. The proposals failed to address relevant plan options and contained incorrect and misleading information. In our 2022 Audit, we found that Direct 15 plans were omitted, which prevented the City from considering a potential savings of approximately \$191,000. More significantly, the broker's 2021 analysis estimated that 42 employees receiving insurance waiver payments from the City, including 32 with the SHBP as their alternate plan, would reenroll in the City's health insurance. However, our review found that only seven employees would reenroll due to lower contribution costs. We note that the City continued to use the same health insurance broker during the scope of our follow-up review.

We do not consider this recommendation implemented because there is no evidence of a legal review related to compensation to the City based on the 2019, 2020, and 2021 presentations. We recommend that the City reassess its ability to pursue legal remedies based on the aforementioned potential conflicts of interest and issues related to the broker presentations provided to the City.

City of Brigantine Response to Recommendation 12:

The City respectfully disagrees with the classification of this recommendation as *Not Implemented*, as it does not accurately reflect the steps taken by the current administration or the documentation provided during the follow-up process.

First, in 2024 the City submitted written legal guidance from our City Attorney addressing the concerns raised in the OSC's 2022 report. Counsel reviewed the broker's historical analyses and advised that there was no contractual, legal, or ethical violation that would support litigation or other legal action. This written opinion was supplied directly to OSC as part of the corrective action documentation.

Second, the current administration cannot retroactively generate or reconstruct legal reviews or internal records that may not have been created or retained by the prior City Manager during the 2019–2021 period. Those historical gaps are not attributable to the present administration, which has fully complied with all documentation requests since assuming responsibility.

Third, the OSC's report notes that the City "continues to use the same broker." It is important to clarify that the City issues an RFP for health insurance brokerage services every year. The recurring award is a result of this broker being the only respondent to the City's competitive procurement process, not due to a lack of competition, favoritism, or a failure on the City's part to solicit alternatives. The City remains committed to competitive procurement and cannot compel other firms to submit proposals.

Fourth, despite concerns raised about past rate analyses, there is no evidence of recoverable financial harm or contractual breach that would support legal action. Legal counsel reviewed the issue and found no basis to pursue any remedy. The City acted prudently by seeking legal guidance, assessing risk, and determining that further action was not warranted.

Finally, the City has strengthened its oversight processes going forward. Broker data is now subject to independent review, plan comparison assumptions are documented more thoroughly, and all legal correspondence related to procurement and advisory services is retained to avoid the documentation issues inherited from prior administrations.

For these reasons, the City maintains that this recommendation has been implemented to the extent feasible, and that the current administration has satisfied the intent of the OSC's guidance, notwithstanding documentation gaps stemming from actions taken prior to 2022.

This concludes the City of Brigantine's official response to the NJ Office of the State Comptroller final report.