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June 28, 2011

Mr. Kevin Holloran, Executive Director  
New York City Police Pension Fund  
233 Broadway, 25<sup>th</sup> Floor  
New York, New York 10279

**Re: Letter Report on the New York City Police Pension Fund's  
Controls over the Identification of Deceased Individuals  
Collecting Pension Payments (Audit Number FM11-113AL)**

Dear Mr. Holloran:

We are sending this Letter Report on the audit of the New York City Police Pension Fund's (POLICE) Controls over the Identification of Deceased Individuals Collecting Pension Payments.

Our audit objective was to determine whether POLICE has the controls in place to detect and prevent the illegal collection of pension payments after the death of a pensioner or beneficiary.

POLICE utilizes a monthly death match report comparing Federal Social Security Administration (SSA) and the New York City Pension Payroll Management System (PPMS) records to identify deceased individuals collecting pension payments. POLICE itself does not produce the death match reports. POLICE accesses the New York City Financial Information Service Agency's (FISA) Death Match Discrepancy Report from the Report Management and Distribution System (RMDS). FISA receives SSA death reports and compares that data against the data in PPMS to create the RMDS Death Match Discrepancy Report. The report lists individuals who have been reported as deceased during that month and are also receiving pension payments.

In 2009, POLICE approached the Office of Payroll Administration (OPA) about creating a new death match report because the Death Match Discrepancy Report did not utilize a cumulative database. From October 2009 to March 2010, POLICE ran test versions of a report (HR-11) generated through the City Human Resources and Management System (CHRMS). The HR-11 report, preprogrammed by OPA, utilizes a cumulative database to identify and reduce instances of payments to deceased recipients and to compare dates of death recorded within PPMS to a database of deceased individuals. A match is generated when a pensioner or beneficiary listed as active (not deceased) in PPMS is reported as deceased in the database. The database of deceased individuals is updated on a monthly basis with a file provided by SSA.

We compared HR-11 reports from October 2010 through January 2011 to verify whether any deceased individuals appeared in one or more consecutive HR-11 reports. Because the HR-11 report

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is generated on a real-time basis, which cannot be recreated or generated to obtain information at a previous point in time, we were unable to solely rely on this report to form our opinion. Therefore, we supplemented our testing with the Death Match Discrepancy Report, which cannot be changed or modified, as both reports match the same sets of data.

The audit found that POLICE recognized a deficiency in the RMDS reports and took initiative to rectify the issue. In addition, the audit found that POLICE took appropriate action regarding those individuals who were identified as deceased and adequately handles the suspension of pension payments once notified of an individual's date of death. However, the HR-11 and Death Match Discrepancy reports lack evidence of supervisory approval and identification of the staff responsible for the initial examination. Moreover, the PPMS CHRMS system only produces reports (e.g., the HR-11) on a real-time basis and cannot be recreated or generated to obtain past information. Consequently, POLICE needs to ensure that work performed by staff is documented and supervisory reviews are evidenced by signoff—attesting to compliance with policies and procedures.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS) except for organizational independence as disclosed in the following paragraph. 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. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

We are issuing a modified GAGAS compliance statement because of the Comptroller's mandated non-audit responsibility in connection with the New York City Police Department Pension Fund Board. In accordance with §13-202 of the New York City Administrative Code, the Comptroller is one of twelve trustees of the New York City Police Department Pension Fund Board. The Comptroller sits on the Board through a designee. The Comptroller's designee was not involved in planning or conducting this audit or in writing or reviewing this audit report. Accordingly, we feel that the above issue has had no impact on the objectivity of this audit or on the conclusions and associated findings disclosed in this report.

On June 3, 2011, an exit conference was held and the preliminary letter report dated May 25, 2011 was discussed. On June 8, 2011, we submitted a draft letter report providing POLICE an opportunity to respond to the matters discussed herein. Since POLICE declined to submit a formal response, we are providing you with this final letter report.

Sincerely yours,



Tina Kim

c: Robert Sens-Castet, Deputy Executive Director  
Harriet Mills, Associate Retirement Benefits Examiner  
John Flynn, Director of Management, Analysis and Planning  
Elizabeth Weinstein, Director, Mayor's Office of Operations  
George Davis, III, Deputy Director, Mayor's Office of Operations