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October 28, 2011

Ms. Diane D'Alessandro
Executive Director
NYC Employees' Retirement System
345 Adam Street, Suite 2300
Brooklyn, NY 11201

**Re: Letter Report on the New York City Employees'
Retirement System Controls over the Identification of Deceased
Individuals Collecting Pension Payments (Audit Number FM11-114AL)**

Dear Ms. D'Alessandro:

We are sending this Letter Report regarding the audit of the New York City Employees' (NYCERS) Controls over the Identification of Deceased Individuals Collecting Pension Payments. Our audit objective was to determine whether NYCERS has the controls in place to detect and prevent the illegal collection of pension payments after the death of a pensioner or beneficiary.

NYCERS generates its own death match report by utilizing weekly updates from the National Technical Information Service (NTIS), an agency of the U.S. Department of Commerce. The weekly file contains new deaths, changes and deletions to the Social Security Administration (SSA) Death Master File extract tape. NYCERS compares the data obtained from the NTIS against NYCERS pension payroll to create its own death match report—the Social Security Projects & Overpayments (SSPO). The SSPO report identifies the individuals name, Social Security number, date of birth, date of death, and address.

Upon the receipt of the SSPO report, the Pension Survivor Benefit Unit will verify if an individual's death has been previously reported to NYCERS. If the death has not been previously reported, NYCERS will suspend monthly pension payments until the deceased status is confirmed for the individual. Pension payroll—related tasks are performed through the New York City Pension Payroll Management System (PPMS).¹

Alternatively, the City also produces two death match reports used to identify deceased individual's collecting pensions. The HR-11 report is generated through the City Human Resources and Management System (CHRMS) and the Death Match Discrepancy Report is accessed from the Report Management and Distribution System (RMDS). Both reports compare pensioner information in PPMS with SSA death records.

A match is generated when a pensioner or beneficiary listed as active (not deceased) in PPMS is also reported as deceased in the database. The Death Match Discrepancy Report lists individuals who have been reported as deceased during that month (only) and are also receiving pension payments. The HR-11

¹ PPMS allows users to perform pension-related tasks by capturing and updating all retiree/beneficiary data submitted by the pension agencies, central agencies, and external entities. PPMS processes pension payroll activities and non-periodic vouchers (loans, refunds, rollovers, death benefits).

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report utilizes a cumulative database and can provide historical death records in addition to those deaths that have been reported deceased during the previous month.

The audit found that NYCERS maintains adequate controls over the identification of deceased individuals collecting pension payments. Our review of the reports found that NYCERS took timely and appropriate action on the 100 individuals we sampled, who were identified as deceased. However, NYCERS can enhance its controls and potentially save \$8,500 (the fee for weekly updates from NTIS) by utilizing the HR-11 and Death Match Discrepancy Reports which are available at no cost. NYCERS should evaluate and consider the benefits of augmenting or replacing its current system with the City generated reports.

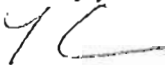
We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS) except for organizational independence as disclosed in the following paragraph. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide 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 Employees' Retirement System Board. In accordance with §13-303 of the New York City Administrative Code, the Comptroller is one of 11 trustees of the New York City Employees' Retirement System 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.

To gain an understanding of NYCERS controls over the identification of deceased individuals, we conducted interviews with NYCERS' officials and reviewed NYCERS' procedures related to the identification of deceased pensioners. To determine whether NYCERS' controls over pension payments were operating effectively, we tested the SSPO. We randomly sampled 100 of 1,094 individuals identified in the report for the period October 2010 through January 2011, and reviewed payment records in PPMS to determine whether NYCERS personnel took timely and appropriate action on those individuals. To test the completeness of the report, we randomly selected 100 individuals from the City's Death Match Discrepancy Reports and traced those individuals to the SSPO report.

On August 1, 2011, we submitted a preliminary draft letter providing you an opportunity to waive the exit conference and respond to matters discussed herein. The exit conference was waived and your written comments dated August 8, 2011, are attached as an addendum to this final letter report. You generally agreed with our findings and recommendations, but felt that the cost of the weekly NTIS updates was justified due to the benefit derived from them.

Sincerely yours,



Tina Kim

c: Michael Goldson, Director of Finance
Elizabeth Weinstein, Director, Mayor's Office of Operations
George Davis III, Deputy Director, Mayor's Office of Operations



August 8, 2011

H. Tina Kim
Deputy Comptroller for Audit
One Centre Street, Room 1100
New York, NY 10007-2341

**Re: Preliminary Letter Report on the New York City Employees'
Retirement System Controls over the Identification of Deceased
Individuals Collecting Pension Payments (Audit Number FL11-114AL)**

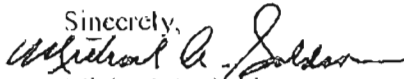
Dear Ms. Kim,

This letter is in response to the above referenced letter report.

The letter report found that NYCERS maintains adequate controls over the identification of deceased individuals collecting pension payments, and that NYCERS took timely and appropriate action on the sample examined by the auditors. The report also suggests that NYCERS can enhance their controls by using existing City reports and resources which match pensioners with death records: the HR-11 report, which utilizes a cumulative database of historical death records reported by the Social Security Administration (SSA), and the Death Match Discrepancy Report, which uses death data for the current month only.

Please note that NYCERS subscribes to the **weekly** report of death information from the National Technical Information Service (NTIS), which contains death data from the Social Security Administration. Getting this information on a weekly basis enables us to more quickly withhold pension payments, stop checks, or reverse electronic fund transfer (EFT) payments as needed. The City's Death Match Discrepancy Report is based on **monthly** updates, which we have found to be less effective than the weekly updates. Although the weekly updates cost \$8,500 per year, NYCERS believes the cost is justified in terms of enhanced loss prevention and collection success.

Please also note that NYCERS has collaborated with the City's Office of Payroll Administration (OPA) to utilize their cumulative death match process to compare historical death data versus pension payments per the Pension Payment Management System (PPMS). In January 2010, OPA provided a cumulative death match report to NYCERS. NYCERS analyzed this report and took appropriate action. NYCERS intends to continue collaborating with the City to use their cumulative match capabilities as an additional resource to assist us in our monitoring efforts.

Sincerely,

Michael A. Goldson
Director, Finance

c: Diane D'Alessandro, Executive Director