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July 3, 2014

Ms. Nicole Fleming
New York City Office of Management and Budget
255 Greenwich Street
New York, NY 10007

Re: Disbursement Process and Controls Assessment

Dear Ms. Fleming,

Enclosed is our Report on Disbursement Process and Controls Assessment (“Report”), which has been prepared by KPMG LLP (“KPMG”) for the New York City Office of Management and Budget (“OMB”) and the New York City Comptroller’s Office (“Comptroller”, and collectively “the City”).

KPMG appreciates the opportunity to have assisted in assessing the controls over disbursement processes performed by the New York City Financial Information Services Agency (“FISA”), under contract number #002-10-0198202. As of June 10, 2014, we have completed the services in the first phase titled “Current State Assessment” as described in our Statement of Work dated May 6, 2014. As discussed further in the Report, the objectives of our review included the following:

- 1) Assessing and documenting the current process and controls related to the recent incident involving the erroneous payment from the City’s pension funds to certain population of the City’s Pensioners
- 2) Identifying risks associated with the current process and controls for disbursements processed by FISA for pension payments.
- 3) Providing suggestions and recommendations for improving to controls over the process and controls to prevent and/or detect future erroneous disbursement of similar nature.

Enclosed is our deliverable report for the first phase, which is titled “Report on Disbursement Process and Controls Assessment”. This report has been presented to the City and includes the following:

- Executive summary
- Timeline of events involving the erroneous payments
- Assessment of the production controls for pension disbursements
- Mitigation steps taken by the City

- Recommended control improvements.

It has been a pleasure working with your team, and we look forward to our continued work with the City in our next phase titled “Future State Development” in the Statement of Work.

If you have any questions or would like to discuss this report in more detail, please call me at (212) 872-3854 or email me at mdayrit@kpmg.com.

Very truly yours,

KPMG LLP

A handwritten signature in cursive script that reads "Manolet G. Dayrit".

Manolet Dayrit
Principal
KPMG LLP
Advisory Services