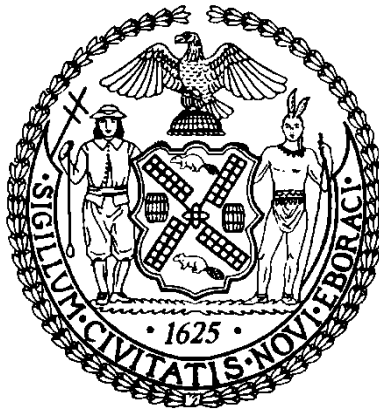


**CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER**

**John C. Liu  
COMPTROLLER**

**FINANCIAL AUDIT**

**Tina Kim  
Deputy Comptroller for Audit**



**Audit Report on the  
New York City Board of Education  
Retirement System's Controls over the Identification  
of Deceased Individuals  
Collecting Pension Payments**

*FM11-112A*

**September 7, 2011**



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
1 CENTRE STREET  
NEW YORK, N.Y. 10007-2341

John C. Liu  
COMPTROLLER

September 7, 2011

To the Residents of the City of New York

My office, in accordance with the responsibilities of the Comptroller contained in Chapter 5 §93, of the New York City Charter, has audited the Board of Education Retirement System's (BERS) controls over the identification of deceased individuals collecting pension payments. We audit retirement systems such as BERS as a means of ensuring that they operate efficiently and are accountable for resources and revenues in their charge.

To identify deceased individuals collecting pensions, the BERS utilizes a monthly death match report comparing Federal Social Security Administration (SSA) and City Pension Payroll Management System (PPMS) records. The Death Match Discrepancy Report would identify an individual who is actively receiving a pension payment but is reported deceased on the SSA death report. As of October 2010, BERS replaced the Death Match Discrepancy Report with the City Human Resources and Management System (CHRMS) death match report. Since then, BERS has been using the HR-11 report generated through the CHRMS. The HR-11 report, preprogrammed by the New York City Office of Payroll Administration (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. The database of deceased individuals is updated on a monthly basis with a file provided by SSA.

The audit found that BERS took appropriate action on those individuals who were identified as deceased and adequately handled 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. Also, BERS needs to create an archive of previous reports for future investigations.

The audit recommended that BERS officials should ensure that work performed by staff is documented and supervisory reviews are evidenced by sign-off—attesting to compliance with policies and procedures. BERS officials should coordinate with the FISA to determine the feasibility of developing a back-up plan to store the HR-11 reports.

The results of our audit, which are presented in this report, have been discussed with BERS officials, and their comments have been considered in preparing this report. Their complete response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747.

Sincerely,

A handwritten signature in black ink, appearing to read "JCL".

John C. Liu

*Table of Contents*

**AUDIT REPORT IN BRIEF** .....1

    Audit Findings and Conclusions .....1

    Audit Recommendation .....2

    Board of Education Retirement System Response .....2

**INTRODUCTION**.....3

    Background .....3

    Objective .....4

    Scope and Methodology Statement .....4

    Discussion of Audit Results .....5

**FINDINGS**.....6

    Delayed Implementation of Procedures .....6

    Monitoring and Accountability Could Be Enhanced .....6

**RECOMMENDATION**.....10

**DETAILED SCOPE AND METHODOLOGY** .....11

**ADDENDUM**      Board of Education Retirement System Response

*The City of New York  
Office of the Comptroller  
Financial Audit*

**Audit Report on the New York City Board of Education  
Retirement System's Controls over the Identification of  
Deceased Individuals Collecting Pension Payments**

**FM11-112A**

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**AUDIT REPORT IN BRIEF**

To identify deceased individuals collecting pensions, the Board of Education Retirement System (BERS) utilizes a monthly death match report comparing Federal Social Security Administration (SSA) and New York City Pension Payroll Management System (PPMS) records. The report would identify an individual who is actively receiving a pension payment but is reported deceased on the SSA death report. BERS itself does not produce any death match reports, so prior to October 2010 BERS would access the City Financial Information Service Agency's (FISA) death match discrepancy report from the Report Management and Distribution System (RMDS). The death report lists individuals who have been reported as deceased during that month and are also receiving pension payments. The Death Match Discrepancy Report is not cumulative. The Death Match Discrepancy Report can only provide monthly information by SSA and PPMS.

As of October 2010, BERS replaced the RMDS death match discrepancy report with the City Human Resources and Management System (CHRMS) death match report. Since then, BERS has been using the HR-11 report generated through the CHRMS. The HR-11 report, preprogrammed by the Office of Payroll Administration (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.

**Audit Findings and Conclusions**

The audit determined that BERS's management method of monitoring and overseeing the identification of deceased individuals collecting pensions after their date of death was deficient. BERS did not update its controls over identification of deceased individuals collecting pensions after their date of death in a timely manner. Specifically, BERS delayed using the HR-11 report,

which became available in April 2010 and corrected deficiencies in the Death Match Discrepancy Report, until October 2010.

Our review of the reports found that BERS took appropriate action on 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 on a real-time basis and cannot be recreated or generated to obtain past information. Consequently, BERS needs to create an archive of previous reports for future investigations.

### **Audit Recommendations**

BERS should:

- Ensure that work performed by staff is documented and supervisory reviews are evidenced by signoff—attesting to compliance with policies and procedures.
- Coordinate with the FISA to determine the feasibility of developing a back-up plan to store the HR-11 reports.

### **BERS Response**

BERS strongly disagreed with the finding regarding its delayed implementation of the HR-11 report and one of the two recommendations regarding the coordinating efforts with FISA to develop a back-up plan to store the HR-11 reports. However, BERS agreed with the finding that there is a lack of evidence documenting supervisory verification and stated it would adhere to the recommendation that it add a supervisory signoff requirement to its procedures.

## INTRODUCTION

### **Background**

In September of 2010, the Comptroller's Office discovered numerous cases, across the City's five pension systems, where it appeared that deceased pensioners continued to receive their monthly payment and individuals continued to cash these checks.<sup>1</sup> This audit regarding the Board of Education Retirement System (BERS) is one of five audits of the City's retirement systems and was initiated in response to those cases.<sup>2</sup>

BERS was founded on August 1, 1921, to provide retirement benefits for civil service employees permanently employed by the City and School District of New York and has since expanded to include other employees, such as provisional and part-time employees of the Department of Education (DOE) and other covered employers.

Pension payroll related tasks are performed through the City Pension Payroll Management System (PPMS). The system 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).

When a member or beneficiary dies, BERS's Pension Payroll Unit can be notified of the death in various ways. The decedent's family may notify BERS when an individual has passed away and send a death certificate. Additionally, BERS utilizes a monthly death match report comparing Federal Social Security Administration (SSA) and PPMS records; and if a pensioner has not been cashing his or her checks or the checks are returned, BERS will investigate. Any overpayment is recouped. Should the pensioner have a beneficiary, BERS determines if the beneficiary should continue to receive benefits and if so, processes the adjustment accordingly.

BERS itself does not produce any death match reports, so prior to October 2010 BERS would access the City Financial Information Service Agency's (FISA) Death Match Discrepancy Report from the Report Management and Distribution System (RMDS). FISA receives the SSA death reports and compares that data against the data in PPMS to create the RMDS death match discrepancy report. The death report lists individuals who have been reported as deceased during that month and are also receiving pension payments.

FISA creates the RMDS death match discrepancy reports approximately once a month. The RMDS death match discrepancy report identifies the individual's name, social security

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<sup>1</sup> There are five New York City retirement systems that provide benefits for their employees and the employees of various City agencies. They are: New York City Board of Education Retirement System (BERS); New York City Employees' Retirement System (NYCERS); New York City Fire Department Pension Fund (FIRE); New York City Police Department Pension Fund (POLICE); and New York City Teachers' Retirement System (TRS).

<sup>2</sup> A separate audit report will be issued for each of the remaining New York City retirement systems.

number, date of birth, date of death, and address. The report would identify an individual who is actively receiving a pension payment but is reported dead on the SSA death report. The Death Match Discrepancy Report is not cumulative. The Death Match Discrepancy Report can only provide monthly information by SSA and PPMS.

The Pension Payroll Unit uses the RMDS death match discrepancy reports. This unit accesses the report and checks the FISA database every two to three days for updates on the report. After receiving the RMDS death match discrepancy report, the Pension Payroll Unit will create a “Deceased Pensioners Report” and investigate the individual. The PPMS date of death is not changed or updated until the investigation is complete and a death certificate is received. A “Deceased Pensioners Report” is completed regardless of whether BERS was notified of death by an individual’s family or if the person was listed on the RMDS death match discrepancy report. The Pension Payroll Unit sends a letter to the individual’s family to request an original death certificate for confirmation. It should be noted that BERS will temporarily suspend payment of benefits upon receiving notification of an individual’s death. The actual death certificate is used for permanently terminating payments.

As of October 2010, BERS replaced the RMDS death match discrepancy report with the City Human Resources and Management System (CHRMS) death match report. As a result, BERS currently uses the HR-11 report generated through the CHRMS. The HR-11 report, preprogrammed by the Office of Payroll Administration (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.

### **Objective**

To determine whether BERS has the controls in place to detect and prevent the illegal collection of pension payments after the death of a pensioner or beneficiary.

### **Scope and Methodology Statement**

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The scope period of the audit was July 1, 2010, to January 31, 2011. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

### **Discussion of Audit Results**

The matters covered in this report were discussed with BERS officials during and at the conclusion of this audit. A preliminary draft report was sent to BERS officials and discussed at an exit conference held on May 20, 2011. On May 26, 2011, we submitted a draft report to BERS officials with a request for comments. We received a written response from BERS officials on June 9, 2011. BERS strongly disagreed with the finding regarding its delayed implementation of the HR-11 report and one of the two recommendations regarding coordinating efforts with FISA to develop a back-up plan to store the HR-11 reports. However, BERS agreed with the finding that there is a lack of evidence documenting supervisory verification and stated it would adhere to the recommendation that it add a supervisory signoff requirement to its procedures.



## **FINDINGS AND RECOMMENDATIONS**

BERS's management method of monitoring and overseeing the identification of deceased individuals collecting pensions after their date of death was deficient. BERS did not update its controls over identification of deceased individuals collecting pensions after their date of death in a timely manner. Specifically, BERS delayed using the HR-11 report, which became available in April 2010 and corrected deficiencies in the Death Match Discrepancy Report, until October 2010.

Our review of the reports found that BERS took appropriate action on those individuals who were identified as deceased and adequately handles the suspension of pension payments once notified of an individual's date of death. BERS took appropriate and timely action for all 65 cases that were brought to their attention. 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 on a real-time basis and cannot be recreated or generated to obtain past information. Consequently, BERS needs to create an archive of previous reports for future investigations.

### **Delayed Implementation of Procedures**

BERS continued to use a report with known limitations despite the availability of a superior, cost-free alternative. Prior to October 2010, BERS's key control over the identification of deceased individuals collecting pensions after their date of death had a notable weakness. Specifically, the Death Match Discrepancy Report was only able to inform the pension system of those deaths reported to SSA during the previous month. The report did not use a cumulative database—one that would include prior information. Therefore, if the report missed an individual or the report was not properly reviewed and corrective action not taken, an individual collecting a pension after the date of death would never be cited in the subsequent Death Match Discrepancy Reports. According to an OPA official, although the HR-11 report corrects this issue, BERS could have been using it since April 2010; however, BERS first began using HR-11 in October 2010, shortly after the Comptroller's Office informed BERS of deceased pensioner's collecting payments. Funds improperly paid to deceased recipients are expensive and difficult to recoup. According to OPA's PPMS CHRMS Report Specification document, fraud is sometimes involved, and though pension agencies pursue fraud cases, complete recovery of money to the City is expensive and not guaranteed.

### **Monitoring and Accountability Could Be Enhanced**

Our review of the reports found that BERS took appropriate action on those individuals who were cited and adequately handles the suspension of pension payments once notified of an individual's date of death. However, there is a lack of evidence documenting supervisory verification indicating adherence to BERS procedures. BERS's monitoring of the controls that

identify individuals collecting pensions after their date of death could be further enhanced if BERS employees would sign off, date, and approve reports that are reviewed. Moreover, through no fault of BERS, the PPMS CHRMS system lacks an audit function for independent confirmation that would further ensure procedures are being complied with. Monitoring is one of five essential components that make up an internal control system. Signoffs and approvals ensure accountability. Although BERS took timely and appropriate action on individuals cited in the aforementioned reports, monitoring ensures that controls continue to operate effectively. While an important control by itself, signoffs and supervisory approval of reports can also compensate for internal control weaknesses elsewhere in the system.

As an example, in October 2010, BERS modified its procedures and started to use the HR-11 report, shortly after the Comptroller's Office informed BERS of deceased pensioner's collecting payments. The HR-11 report corrected a deficiency in the previous report. However, the HR-11 report lacks an audit function. Specifically, should the file become corrupted, the report cannot be reproduced to display past information and cannot identify when BERS took action. Therefore, an exception can occur for months before being corrected, but once corrective action is taken, the system cannot retroactively identify the issue. Furthermore, the HR-11 report can be downloaded into Excel and modified from its original form. Although there is no indication that this happened with the reports provided by BERS, the potential for it to occur exists. Consequently, this limits BERS management's ability to oversee and monitor the controls in place to ensure consistent application of procedures. It also highlights the importance for written signoffs after each report is reviewed.

***BERS Response:*** "At the Audit Exit Conference BERS communicated to the Comptroller's staff that the HR-11 report was in use as of April 30, 2010. BERS also provided documentation to support our position. The CHRMS report has not replaced the RMDS report but is used as an additional available resource. Furthermore the OPA and the Financial Information Services Agency (FISA) can independently confirm BERS has accessed, and produced the HR-11 reports since April 2010 when the report became available.

"BERS has always used, and continues to use every method available to identify deceased pensioners still on payroll as noted in the introduction of the audit.

"The field work does not support the finding that BERS methods of monitoring and overseeing the identification of deceased annuitants was deficient. The auditor's own findings support the fact that our methods result in appropriate and timely action. (Page 6, Paragraph 2). The auditor has chosen not to acknowledge that there were deficiencies in the HR-11 reports during the audit period. They instead, make an unsupported declaration that the April 2010 Report was able to correct the deficiencies in the Death Match Discrepancy report, which is untrue. While BERS produced and used the reports, the reports did not identify any deceased pensioners on payroll until July 2010 at which time BERS took appropriate action. It should be noted that timely, corrective action was taken by BERS on all deceased annuitants.

“While BERS believe that the CHRMS report is a very valuable and useful addition to our available resources, our evidence does not support the audit's assertion that the CHRMS report was superior during the audit period. BERS found inconsistencies in the HR-11 report during the period but can report that most have since been addressed. BERS has, and herein again, provided Attachments A, B, and C in support of our position. These attachments can be independently verified by OPA and FISA.

“Example 1: Attachment A—the HR-11 report dated April 30, 2010 is missing numerous pensioners who were deceased and collecting pension payments. Those listed all represent fractional one time payments, not individuals on pension payroll. The RMDS report dated May 7, 2010 identified 50 people who were deceased and collecting pension payments. Attachment B - Page 1 of the RMDS report dated May 7, 2010, identifies five such individuals who do not appear on the April 30<sup>th</sup> HR-11 report.

“Example 2: Attachment A and Attachment C show that although the CHRMS report purported to be cumulative, there are pensioners on the July 12<sup>th</sup> Report that should have appeared, but did not, on the April 30<sup>th</sup> Report. Further, CHRMS identified no deceased pensioners receiving pension payments in June 2010 and therefore BERS was unable to generate a HR-11 report in June. However the RMDS reported dated July 19, 2010 identified 33 deceased pensioners on payroll. BERS has email communication with OPA confirming there were no deceased pensioners identified in June 2010.

“BERS has no record of written notification from the Comptroller in October 2010 advising us of the reports existence or any deceased pensioners. It was our understanding no BERS pensioners were identified by the Comptroller in their review in September 2010. Please note that in the September 2010 review although there were deceased members still active on payroll the Comptroller’s review did not identify them. However, BERS was able, using the July 12<sup>th</sup> CHRMS report, to identify four such individuals. These individuals were not removed from payroll until October when the investigations were completed.”

**Auditor Comment:** BERS is being disingenuous in its response. GAGAS requires sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions. Appropriateness is the measure of the quality of evidence. The evidence provided by BERS at the conclusion of the audit did not meet the appropriateness standard for several reasons. The BERS official who now claims the HR-11 reports were utilized is the same official who provided documentation during the audit. In response to a request made on January 25, 2011, that BERS official stated “I have attached all the CHRMS reports that were utilized since 2010.” As an attachment to that email BERS provided five death matches starting with October 2010 running through January 2011(the report was run twice in October). Only after BERS received a preliminary version of this audit did BERS provide additional HR-11 reports on May 23, 2011. These additional HR-11 reports were dated April 30, 2010, July 12, 2010, August 19, 2010, and September 28, 2010. However,

there are several inconsistencies with those supplemental documents as well as indications that the HR-11 reports were not utilized.

BERS now claims that using a July 12, 2010 HR-11 report, it was able to identify four deceased members still active on payroll. However, in March 2011 BERS had stated two of those individuals were found in October 2010 and referred to investigators. According to the BERS official with access to the HR-11 reports, both individuals “were referred to SCI when they appeared on the cumulative report in October based on the reported date of death.” BERS further claims that these individuals were removed from payroll in October 2010 after its investigation was completed. According to PPMS records, two of these individuals were still on payroll in November 2010 and January 2011, respectively. It should also be noted that these individuals may have been deceased for 10 years while collecting a pension before BERS took any action. It’s also difficult to understand why BERS would wait three months to refer these cases to the proper authorities.

BERS also takes exception with the accuracy of the HR-11 report. BERS states that the RMDS report dated May 7, 2010, identified individuals who were not on the HR-11 report which was run on April 30, 2010. Apparently, BERS does not understand how both the HR-11 and RMDS reports are generated. At the beginning of each month the City obtains a list of individuals reported deceased to SSA during the previous month. Therefore, it is probable that the May 7<sup>th</sup> report would identify individuals who were not on the April 30<sup>th</sup> report since the database would have been updated in the interim.

Finally, BERS makes other claims regarding the HR-11 that were or cannot be substantiated. BERS provided Attachments A and C in its response to support its position. However, these attached HR-11 reports were different than those BERS first provided to the Comptroller’s staff on May 23, 2011. Clearly, BERS’s attempt to reproduce the HR-11 reports supports our recommendation that BERS coordinate with FISA to determine the feasibility of developing a back-up plan to store the HR-11. The ease with which these documents can be changed from its original form is a weakness that needs to be rectified. Nonetheless, BERS has assured us that it will continue to use the HR-11 report in conjunction with the Death Match Discrepancy Report and that supervisory reviews are evidenced by signoff.

## RECOMMENDATIONS

BERS should:

1. Ensure that work performed by staff is documented and supervisory reviews are evidenced by signoff—attesting to compliance with policies and procedures.

***BERS Response:*** “BERS concurs with this recommendation.”

2. Coordinate with the FISA to determine the feasibility of developing a back-up plan to store the HR-11 reports.

***BERS Response:*** “BERS does not concur with this recommendation. The reports are used to identify deceased pensioners receiving pension payments. Once the report is printed and appropriate action taken and since the report is cumulative, BERS does not require that prior reports be stored. Further, as noted by the auditor, the prior reports do not constitute sufficient evidential material for auditing purposes.”

***Auditor Comment:*** As previously stated, the ease with which these documents can be changed from their original form is a weakness that needs to be rectified. The reports therefore need to be stored to document BERS’s own oversight at given point in time.

## Detailed Scope and Methodology

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.

The scope period of the audit was July 1, 2010, to January 31, 2011. To gain an understanding of BERS controls over the identification of deceased pensioners, we conducted interviews with BERS officials. We also reviewed BERS's "Current Protocol Regarding the Notification of Deceased Pensioners."

To gain an understanding of the HR-11 report and to determine whether these controls were operating effectively and whether BERS took timely action, 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 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. We documented our understanding of these controls through a written narrative.

Additionally, the Comptroller's Office's IT Division performed a separate computer match of all individuals who received payments from the BERS in 2010 to the SSA database. This match identified 192 individuals who presumably died between October 2010 and January 2011. To test the completeness of the RMDS Death Match Discrepancy Reports, we randomly selected 50 of these 192 individuals to verify whether each person was no longer active in PPMS as of the month of death or whether each person appeared on the Death Match Discrepancy Reports—*Active PPMS Recipient Not Dead*.

Finally, we tested 100 percent of the individuals (65 in total) cited on each Death Match Discrepancy Report from October 2010 through January 2011. For each individual, we reviewed records in PPMS to determine whether BERS took appropriate action. It should be noted that our audit focused on BERS processes for monitoring and overseeing the identification of deceased individuals.



BOARD OF EDUCATION RETIREMENT SYSTEM  
OF THE CITY OF NEW YORK  
65 COURT STREET  
BROOKLYN, NEW YORK 11201- 4965

CHRISTINE BAILEY, EXECUTIVE DIRECTOR

718-935-5400  
OUTSIDE NEW YORK STATE  
1-800-843-5575

June 9, 2011

Ms. Tina Kim  
Deputy Comptroller for Audit  
Bureau of Audit  
1 Centre Street, Room 1100  
New York, NY 10007-2341

Re: Audit Report on the New York City Board of Education  
Retirement System's Controls over the Identification of  
Deceased Individuals Collecting Pension Payments  
FM11-112A

Dear Ms. Kim:

BERS is in receipt of the draft audit report dated May 26, 2011 on New York City Board of Education Retirement System's Controls over the Identification of Deceased Individuals Collecting Pension Payments. BERS has reviewed the report, however BERS believes that the conclusions are erroneous and findings are not supported by the evidence.

The following are discrepancies that BERS believe exist in your audit report:

*Audit Report in Brief, Page 1, Paragraph 2 "As of October 2010, BERS replaced the RMDS death discrepancy report with the City Human Resources and Management System (CHRMS) death match report "*

*Audit Findings and Conclusions, Page 1, Paragraph 1 - "Specifically, BERS delayed using the HR-11 report, which became available in April 2010 and corrected deficiencies in the Death Match Discrepancy Report, until October 2010."*

*Introduction, Page 4, Paragraph 3 – "As of October 2010, BERS replaced the RMDS death discrepancy report with the City Human Resources and Management System (CHRMS) death match report."*

*Findings and Recommendations, Page 6 Paragraph 1 - "BERS's management method of monitoring and overseeing the identification of deceased individuals collecting pensions after their date of death was deficient. BERS did not update its controls over identification of deceased individuals collecting pensions after their date of death in a timely manner. Specifically, BERS delayed using the HR-11 report, which became available in April 2010 and corrected deficiencies in the Death Match Discrepancy Report, until October 2010"*

*Findings and Recommendations, Page 6, Paragraph 3 "BERS continued to use a report with known limitations despite the availability of a superior, cost-free alternative,".... "According to an OPA official, although the HR-11 report corrects this issue, BERS could have been using it since April 2010, however, BERS first began using HR-11 in October 2010, shortly after the Comptroller's Office informed BERS of deceased pensioner's collecting payments."*

*Findings and Recommendations, Page 7, Paragraph 2 "As an example, in October 2010, BERS modified its procedures and started to use the HR-11 report, shortly after the Comptroller's Office informed BERS of deceased pensioner's collecting payments."*

All of the above comments insinuate that BERS did not utilize the HR-11 reports as soon as they were available and that as a result our procedures were deficient. It infers incorrectly that the HR-11 report was not used and corrective action was not taken by BERS until advised by the Comptroller's Office. The comments also attempt to convey the impression that the unnamed Office of Payroll Administration (OPA) official confirms your assertions by repeating them following the semi-colon. We presume that the OPA official acknowledged only that the report was first available since April, not that BERS delayed using them until October.

At the Audit Exit Conference BERS communicated to the Comptroller's staff that the HR-11 report was in use as of April 30, 2010. BERS also provided documentation to support our position. The CHRMS report has not replaced the RMDS report but is used as an additional available resource. Furthermore the OPA and the Financial Information Services Agency (FISA) can independently confirm BERS has accessed, and produced the HR-11 reports since April 2010 when the report became available.

BERS has always used, and continues to use every method available to identify deceased pensioners still on payroll as noted in the introduction of the audit.

The field work does not support the finding that BERS methods of monitoring and overseeing the identification of deceased annuitants was deficient. The auditor's own findings support the fact that our methods result in appropriate and timely action. (Page 6, Paragraph 2). The auditor has chosen not to acknowledge that there were deficiencies in the HR-11 reports during the audit period. They instead, make an unsupported declaration that the April 2010 Report was able to correct the deficiencies in the Death Match Discrepancy report, which is untrue. While BERS produced and used the reports, the reports did not identify any deceased pensioners on payroll until July 2010 at which time BERS took appropriate action. It should be noted that timely, corrective action was taken by BERS on all deceased annuitants.

While BERS believes that the CHRMS report is a very valuable and useful addition to our available resources, our evidence does not support the audit's assertion that the CHRMS report was superior during the audit period. BERS found inconsistencies in the HR-11 report during the period but can report that most have since been addressed. BERS has, and herein again, provide Attachments A, B, and C in support of our position. These attachments can be independently verified by OPA and FISA.

Example 1: Attachment A – the HR-11 report dated April 30, 2010 is missing numerous pensioners who were deceased and collecting pension payments. Those listed all represent fractional one time payments, not individuals on pension payroll. The RMDS report dated May 7, 2010 identified 50 people who were deceased and collecting pension payments. Attachment B - Page 1 of the RMDS report dated May 7, 2010, identifies five such individuals who do not appear on the April 30<sup>th</sup> HR-11 report.

Example 2: Attachment A and Attachment C show that although the CHRMS report purported to be cumulative, there are pensioners on the July 12<sup>th</sup> Report that should have appeared, but did not, on the April 30<sup>th</sup> Report. Further, CHRMS identified no deceased pensioners receiving pension payments in June 2010 and therefore BERS was unable to generate a HR-11 report in June. However the RMDS reported dated July 19, 2010 identified 33 deceased pensioners on payroll. BERS has email communication with OPA confirming there were no deceased pensioners identified in June 2010.



BERS has no record of written notification from the Comptroller in October 2010 advising us of the reports existence or any deceased pensioners. It was our understanding no BERS pensioners were identified by the Comptroller in their review in September 2010. Please note that in the September 2010 review although there were deceased members still active on payroll the Comptroller's review did not identify them. However, BERS was able, using the July 12<sup>th</sup> CHRMS report, to identify four such individuals. These individuals were not removed from payroll until October when the investigations were completed.

With regard to the recommendations:

Recommendation 1 – Ensure that work performed by staff is documented and supervisory reviews are evidenced by signoff-attesting to compliance with policies and procedures.

BERS concurs with this recommendation. While BERS does have policies in place and there is supervisory review, as evidenced by the auditor's finding that BERS took appropriate and timely action for 100% of the individuals cited on each Death Match Discrepancy Report from October 2010 through January 2011, we indeed do not require signoff. BERS has added a supervisory signoff requirement to its procedures.

Recommendation 2 – Coordinate with FISA to determine the feasibility of developing a back-up plan to store the HR-11 reports.

BERS does not concur with this recommendation. The reports are used to identify deceased pensioners receiving pension payments. Once the report is printed and appropriate action taken and since the report is cumulative, BERS does not require that prior reports be stored. Further, as noted by the auditor, the prior reports do not constitute sufficient evidential material for auditing purposes.

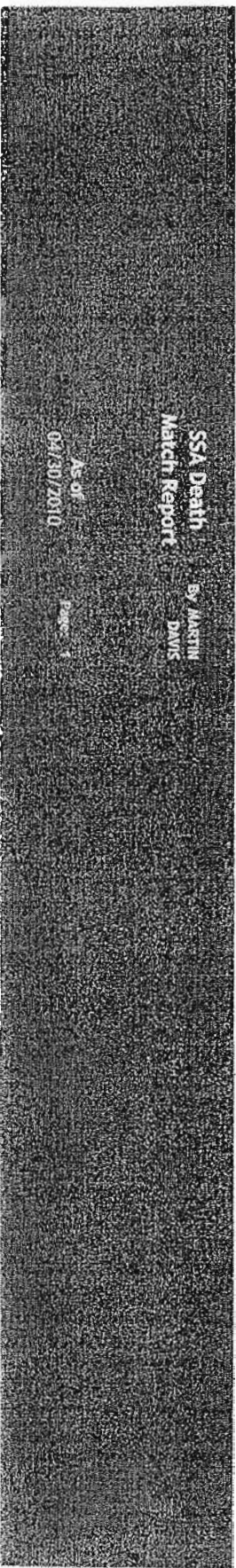
BERS is committed to ensuring that deceased pensioners are removed from the pension payroll in a timely manner. If you have any questions, or require any additional information, please let us know.

Sincerely,



Daniel Miller  
Internal Auditor

Cc. Christine Bailey  
John Cahalin



SSA Death Match Report  
By MARTIN DAVIS

As of 04/30/2010 Page: 1

Selected Parameters  
Payroll Number(s): 00

SSA Death Date Range: 1/1/2008 - 3/31/2010

E - 505 - BOARD OF EDUCATION RETIREMENT

Current Status	Status Eff Date	PERS Num	Gen Supl	Rel Code	455R	Empl Num	PERS Roll Name	SSA Full Name	PERS BIRTH Date	SSA BIRTH Date	PERS Death Date	SSA Death Date
1 - Active	02/01/2007	010869	A	C								03/16/2010
1 - Active	02/04/2008	004549	A	S								01/04/2010
1 - Active	04/01/2007	004276	A	S								03/13/2010
1 - Active	04/01/2007	504276	A	S								03/13/2010
1 - Active	07/16/2009	005751	A	S								02/15/2010
1 - Active	02/07/2008	016153	A	S								03/08/2010

A

UN SORT: RMPSS020967505  
UN DATE: 05/07/10  
UN TIME: 19:55:05

CITY OF NEW YORK PENSION PAYROLL MANAGEMENT SYSTEM  
FINANCIAL INFORMATION SERVICES AGENCY  
DEATH MATCH DISCREPANCY REPORT  
PROCESSING DATE: 05-2010  
PAYROLL NUMBER: 505 BOARD OF EDUCATION RETIREMENT  
TYPE OF DISCREPANCY: ACTIVE PMS RECIPIENT NOT DEAD

REPORT PAGE: 113  
REPORT ID: RMPSS020  
SYSTEM: PMS

*05.07 ALP S Negash*

PENSION RECORD

-----  
 NAME [REDACTED] E-003748-0  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH 2010-04-02  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

-----  
 NAME [REDACTED] E-004905-3  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH 2010-04-22  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

-----  
 NAME [REDACTED] E-005293-0  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH 2010-03-29  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

-----  
 NAME [REDACTED] E-005616-0  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH 2010-03-27  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

-----  
 NAME [REDACTED] E-006495-0  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH 2010-04-01  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

-----  
 NAME [REDACTED]  
 SOCIAL SECURITY NUMBER [REDACTED]  
 DATE OF BIRTH [REDACTED]  
 DATE OF DEATH [REDACTED]  
 ADDRESS [REDACTED]  
 PLACE OF DEATH [REDACTED]

