



# City of New York

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## OFFICE OF THE COMPTROLLER

**Scott M. Stringer**  
**COMPTROLLER**



## FINANCIAL AUDIT

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the New York City  
Police Pension Fund's Controls over  
Identification of Improper Pension  
Payments to Deceased Recipients

FN20-106A

November 22, 2021

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
SCOTT M. STRINGER

November 22, 2021

To the Residents of the City of New York:

My office has audited the New York City Police Pension Fund's (PPF's) controls over identification of improper pension payments to deceased recipients to determine whether PPF had adequate controls in place to identify improper benefit payments to deceased recipients. We audit retirement systems such as PPF as a means of ensuring that they operate efficiently and are accountable for the resources and revenues in their charge.

This audit found that PPF has established control procedures to detect and prevent improper pension benefit payments to or in the names of deceased recipients. However, those procedures have limitations that hinder PPF's ability to identify deceased recipients timely, which increases the risk that PPF funds could be improperly paid out and never recouped. The audit identified two deficiencies in PPF's control procedures: (1) PPF's infrequent use of contracted third-party death-matching services; and (2) PPF's practice of applying its supplemental control procedure—obtaining affidavits as proof of life—primarily only to recipients who live overseas. In addition, the audit found that PPF does not always maintain accurate names, Social Security numbers (SSNs), and/or dates of birth (DOB) for benefit recipients in the City's Pension Payroll Management System. In another matter, the audit found that PPF might benefit by centralizing death match service contracts with the City's four other retirement systems.

The audit made the following six recommendations. PPF should: (1) use a third-party death-matching service on a regular basis to timely identify decedents; (2) request attestation affidavits from a broader segment of the overall population of benefit recipients based on risk-assessment criteria; (3) send affidavit requests periodically to all benefit recipients who live overseas; (4) conduct a comprehensive review of beneficiaries' personal information; (5) correct all SSN and DOB issues that were identified in this report; and (6) consider coordinating with the City's four other retirement systems, as well as FISA-OPA, to centralize death match service contracts and potentially obtain comprehensive death match data at a lower overall cost.

The results of the audit have been discussed with PPF's officials and their comments have been considered in the preparation of this report. PPF's complete written 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).

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

## Audit Report on the New York City Police Pension Fund's Controls over Identification of Improper Benefit Payments to Deceased Recipients

**FN20-106A**

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### EXECUTIVE SUMMARY

The New York City Police Pension Fund (PPF) was established to provide pension and supplemental benefits to full-time uniformed employees in the New York City Police Department (NYPD). PPF uses the Comprehensive Officer Pension System (COPS) to maintain active and retired members' information.

PPF processes monthly pension payments through New York City's (City's) Pension Payroll Management System (PPMS) and terminates benefit payments in PPMS after a benefit recipient dies.<sup>1</sup> PPF identifies a benefit recipient as deceased through the following means:

- Notifications from the decedent's family and NYPD;
- HR-11 SSA (Social Security Administration) Death Match reports generated through the City Human Resources and Management System (CHRMS);<sup>2</sup>
- Death match reports provided by two contracted vendors—Lexis Nexis and the National Association for Public Health Statistics and Information Systems (NAPHSIS);
- Non-responsiveness to a PPF mailed request to a benefit recipient to provide a completed affidavit, also called an attestation, as proof the benefit recipient is alive.<sup>3</sup>

During Fiscal Years 2019 and 2020, PPF paid \$3.28 billion and \$3.49 billion, respectively, to approximately 55,000 benefit recipients.

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<sup>1</sup> A benefit recipient can be a retiree or a beneficiary who receives pension benefits after a retiree dies or pursuant to a court order.

<sup>2</sup> The SSA Death Match Report matches each active benefit recipient's name, Social Security number (SSN), and date of birth (DOB) with the Social Security Administration's Limited Access Death Master File.

<sup>3</sup> PPF sends affidavit requests to benefit recipients who are living overseas. Additionally, PPF sends address confirmation requests to benefit recipients: (1) who did not cash pension checks for more than three months; or (2) whose mail was returned by the United States Postal Service.

The objective of this audit was to determine whether PPF had adequate controls in place to identify improper benefit payments to deceased recipients.

## Audit Findings and Conclusion

Although PPF has established control procedures to detect and prevent improper pension benefit payments to or in the names of deceased recipients, those procedures have limitations that hinder PPF's ability to identify deceased recipients timely, which increases the risk that PPF funds are improperly paid out and never recouped. The audit identified two deficiencies in PPF's control procedures: (1) PPF's infrequent use of contracted third-party death-matching services; and (2) PPF's practice of applying its supplemental control procedure—obtaining affidavits as proof of life—primarily to recipients who live overseas, who collectively represented less than 0.3 percent of the total number of PPF's benefit recipients during the audit scope. In addition, the audit found that PPF does not always maintain accurate names, SSNs, and/or DOBs for benefit recipients in PPMS.

Deficiencies in, and non-compliance with, the control procedures in place increase the risk that PPF may issue unwarranted payments in the names of deceased benefit recipients.

In another matter, we found that PPF might benefit by centralizing death match service contracts with the City's four other retirement systems.

## Audit Recommendations

To address these issues, we recommend that PPF should:

- Use a third-party death-matching service on a regular basis to timely identify decedents whose deaths are not reported in SSA's Limited Access Death Master File (LADMF) and consequently may not be identified in the Death Match reports generated through the City Human Resources and Management System (CHRMS).
- Request attestation affidavits from a broader segment of the overall population of benefit recipients based on risk-assessment criteria, such as benefit recipients whose ages exceed PPF's actuarial benchmarks for life expectancy.
- Send affidavit requests periodically to all benefit recipients who live overseas.
- Conduct a comprehensive review of beneficiaries' personal information that PPF uses to administer pension payments, including names, SSNs, and/or DOBs, maintained in PPMS and compare it with external records as needed to ensure such information is accurate.
- Correct all SSN and DOB issues that were identified in this report.
- Consider coordinating with the City's four other retirement systems, as well as FISA-OPA, to centralize death match service contracts and potentially obtain comprehensive death match data at a lower overall cost.

## Agency Response

PPF did not directly state whether it agreed with and would implement the six recommendations in this report, but it expressed at least partial agreement with five of them (all except for Recommendation #3, that it send affidavit requests periodically to all benefit recipients who live overseas) by describing the corrective actions that it has taken and will take to address the corresponding issues found in this report.

# AUDIT REPORT

## Background

PPF is one of five retirement systems in the City that provide benefits for their members who have retired as well as to designated beneficiaries of those members.<sup>4</sup> PPF was incorporated on March 1, 1940, and provides pension and supplemental benefits for retired uniformed employees in the NYPD. PPF uses COPS to maintain active and retired members' information.

PPF processes monthly pension payments through the City's PPMS and terminates benefit payments in PPMS after a benefit recipient dies. PPF identifies a benefit recipient as deceased through the following means:

- Notifications from the decedent's family and NYPD;
- HR-11 SSA Death Match reports generated through CHRMS;
- Death match reports provided by two contracted vendors—Lexis Nexis and NAPHSIS;
- Non-responsiveness to a PPF mailed request to a benefit recipient to provide a completed affidavit, also called an attestation, as proof the benefit recipient is alive.

PPF suspends future benefit payments after a benefit recipient is reported as deceased and a death certificate has been received. PPF will then determine whether it made any overpayments in the name of the decedent and start the recoupment process, if necessary.<sup>5</sup> Alternatively, PPF will investigate cases involving potentially-deceased benefit recipients through Lexis Nexis and mail requests to the recipients for confirmation they are still alive. PPF will hold the benefit payments for up to three months and then suspend the payments if PPF is unable to contact the benefit recipients.

During Fiscal Years 2019 and 2020, PPF paid \$3.28 billion and \$3.49 billion, respectively, to approximately 55,000 benefit recipients.

## Objective

The objective of this audit was to determine whether PPF had adequate controls in place to identify improper benefit payments to deceased recipients.

## Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards, with the exception 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

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<sup>4</sup> The other four retirement systems are: the New York City Employees' Retirement System, the New York City Fire Pension Fund, the New York City Board of Education Retirement System, and the Teachers' Retirement System of the City of New York.

<sup>5</sup> If a deceased member, while living, elected a beneficiary, PPF will contact the beneficiary to initiate the process for the beneficiary to receive the pertinent benefits.

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.

In accordance with §13-202 of the New York City Administrative Code, the Comptroller is one of 12 trustees of the PPF Board and is entitled to cast one and one half board votes. The Comptroller sits on the Board through a representative. Neither the Comptroller nor his representative on the Board were involved in the audit process.

The scope period of this audit was Fiscal Years 2019 and 2020 (July 1, 2018 through June 30, 2020). 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 PPF officials during and at the conclusion of this audit. A preliminary draft report was sent to PPF and discussed with PPF officials at an exit conference held on October 8, 2021. On October 25, 2021, we submitted a draft report to PPF with a request for written comments. We received a written response from PPF on November 9, 2021.

In its response, PPF did not directly state whether it agreed with and would implement each of the six recommendations in this report. However, PPF expressed at least partial agreement with five of them (all except for Recommendation #3, that it send affidavit requests periodically to all benefit recipients who live overseas) in its statements describing the specific corrective actions that it has taken and will take to address the issues found in this report. We encourage PPF to fully implement *all* of the recommendations.

The full text of the PPF's response is included as an addendum to this report.



## FINDINGS AND RECOMMENDATIONS

Although PPF has established control procedures to detect and prevent improper pension benefit payments to or in the names of deceased recipients, those procedures have limitations that hinder PPF's ability to identify deceased recipients timely, which increases the risk that PPF funds are improperly paid out and never recouped. The audit identified two deficiencies in PPF's control procedures: (1) PPF's infrequent use of contracted third-party death-matching services; and (2) PPF's practice of applying its supplemental control procedure—obtaining affidavits as proof of life—primarily to recipients who live overseas, who collectively represented less than 0.3 percent of the total number of PPF's benefit recipients during the audit scope. In addition, the audit found that PPF does not always maintain accurate names, SSNs, and/or DOBs for benefit recipients in PPMS.

Deficiencies in, and non-compliance with, the control procedures in place increase the risk that PPF may issue unwarranted payments in the names of deceased benefit recipients.

In another matter, we found that PPF might benefit by centralizing death match service contracts with the City's four other retirement systems.

### Deficiencies in Death Match Control Procedures

The internal controls that PPF established may not be sufficient to identify deceased benefit recipients. The two factors, discussed in detail below, that contribute to the deficiency in PPF's death match control procedures are: (1) PPF's infrequent use of contracted third-party death-matching services; and (2) PPF's practice of requesting affidavits from less than 0.3 percent of its total number of benefit recipients. The likely insufficiency of PPF's control procedures reduces PPF's ability to identify deceased benefit recipients timely and increases the risk that PPF funds will be improperly paid out and not recouped.

#### PPF Used a Third-Party Death-Matching Service Only Once during Fiscal Years 2019 and 2020

To identify benefit recipients who have died, PPF primarily uses death match reports that PPMS generates from the Social Security Administration's (SSA's) Limited Access Death Master File (LADMF), according to PPF officials.<sup>6</sup> However, that data source is not adequate for the degree of reliance PPF places on it. Specifically, as of November 1, 2011, the LADMF ceased to include what it described as "protected state death records."<sup>7</sup> As a result, the number of annual decedent records in the SSA's death master file substantially decreased throughout the years since 2011—from 2,449,339 in 2010 to 476,689 in 2019. The 476,689 death records in the SSA's LADMF

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<sup>6</sup> A paid subscription to the LADMF can be obtained through the National Technical Information Service (NTIS) Subscribers must have a legitimate fraud prevention interest or have a legitimate business purpose for the subscription pursuant to a law, governmental rule, regulation, or fiduciary duty.

<sup>7</sup> National Technical Information Service *Important Notice: Change in Public Death Master File Records*. The notice states, in part, "Effective November 1, 2011, the DMF data that NTIS receives from SSA no longer contains protected state death records. Section 205(r) of the [Social Security] Act prohibits SSA from disclosing the state death records SSA receives through its contracts with the states, except in limited circumstances.", accessed April 20, 2021.

"Protected state death records" as used and cited in our reports refers to the reports the various states (all except for four) now submit to the SSA's Electronic Death Registration System, which are excluded from the LADMF. These are derived from the states' official vital statistics bureaus or agencies.

represented only 16.7 percent of the total of 2,854,838 resident deaths registered in the United States for 2019 as reported in the National Center for Health Statistics Data published in December 2020.<sup>8</sup> This comparison shows that information concerning over 83 percent of the deaths reflected in federal health statistics is unavailable to PPF through the LADMF, its principal, and ostensibly most comprehensive, means of identifying deceased benefit recipients through computer-assisted death matches.

Within the last four years, PPF also contracted with two vendors to provide additional death-matching services to supplement its use of the PPMS death reports in identifying deceased benefit recipients. In theory, those contracts could have helped PPF compensate for the current limitation of the LADMF. However, PPF used the contracted services only once during Fiscal Years 2019 and 2020. Specifically, PPF contracted with Lexis Nexis for a death-matching service in August 2017 but did not use the service prior to the expiration of the subscribed service.<sup>9</sup> PPF then contracted with a second vendor, NAPHSIS, in December 2018, but used that death-matching service only once—in July 2019. Moreover, our audit found that, of the 91 possible death match cases identified by NAPHSIS that month, PPF terminated payments in more than one-third—32 benefit recipients—during that fiscal year, i.e., through June 30, 2020. Moreover, of the 32 confirmed deaths of payees, one individual had died two years earlier on July 26, 2017, unbeknownst to PPF, which continued to issue payments in the decedent's name until it learned of the person's death through its supplemental death-matching service. PPF has now determined that it has overpaid \$102,180 in the names of four of these decedents and will refer these cases to the City's Law Department for collection, as stated in its September 10, 2021 response to our request for information.

As illustrated by the cases that NAPHSIS identified in its match, delays in the detection and suspension of payments in the names of deceased persons contributed to an increase in the balance owed by whomever received the payments and the associated difficulties of any efforts PPF would undertake to recoup them. In fact, PPF has forgiven repayment of at least \$759,836 that was inappropriately collected by survivors of 913 retirees "whose deaths were not reported in time to stop payment of benefits" during Fiscal Years 2019 and 2020, according to PPF records.<sup>10</sup>

PPF's reliance on reports that are generated using inherently limited death data to identify deceased benefit recipients reduces the effectiveness of that control mechanism. Furthermore, PPF is hindered in its ability to promptly detect unauthorized payments that are not covered by the LADMF when it forgoes regular use of the third-party death-matching services at its disposal and, as a result, increases the risk of wrongful payments that are never recouped.

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<sup>8</sup> National Center for Health Statistics Data Brief No. 395 published in December 2020 for 2019 mortality in the United States reported 2,854,838 resident deaths registered in the United States.

<sup>9</sup> The subscription to the Lexis Nexis death-matching service was set to expire on August 31, 2018. We found that PPF used Lexis Nexis' death-matching service at least once in August 2017.

<sup>10</sup> According PPF's policy, PPF will attempt to recoup the overpaid benefits from the bank by requesting a reversal of the funds. If that is unsuccessful, PPF will try to determine whether the overpayment can be recovered from the decedent's estate. If PPF cannot identify the estate and the overpayment amount is under \$5,000, PPF's Death Benefits Unit will seek approval from the Board of Trustees to forgive the overpaid benefits.

## PPF Sent Affidavit Requests to a Fraction of Its Benefit Recipients

PPF has implemented another control procedure, consisting of mailing requests for signed and notarized attestations (i.e., affidavits) from benefit recipients who are living overseas to obtain reasonable assurance that those benefit recipients are alive. However, this secondary control measure is of limited utility because overseas recipients represented less than 0.3 percent of all PPF benefit recipients during our audit scope period.<sup>11</sup> Requesting affidavits from a larger percentage of benefit recipients, based on risk-assessment criteria, such as individuals whose ages exceed actuarial benchmarks that PPF may use to estimate life expectancy, would likely improve PPF's ability to timely identify benefit recipients, including those whose deaths may not be reported in the death match reports PPF currently uses. In that regard, the other four City retirement systems' policies call for affidavits to be requested from all benefit recipients whose ages equal or exceed 80 or 85 years (the threshold for requesting affidavits varies, by system, between those two ages). PPF is the only City retirement system that does not request affidavits from benefit recipients above a designated age.

In addition, of the 157 benefit recipients who lived overseas during Fiscal Years 2019 and 2020, PPF sent affidavit requests to only 150 of them. By not complying with its established procedures and by limiting its procedures to only including benefit recipients who live overseas, PPF reduces its ability to identify and stop improper benefit payments made to or in the names of decedents and diminishes the effectiveness of this secondary procedure to identify recipients who have died.

## Inaccurate Benefit Recipient Information Maintained in PPMS

PPF did not consistently maintain accurate information regarding benefit recipients in PPMS. Specifically, PPF issued benefit payments to surviving beneficiaries of deceased members using the deceased members' personal identification information rather than the correct identifiers for the beneficiaries who received the payments. We determined that of the 4,993 surviving beneficiaries of deceased members who received payments from PPF during Fiscal Years 2019 and 2020, at least 11 beneficiaries received benefit payments under the deceased members' names, SSNs, and/or DOBs.

Moreover, the 11 cases we identified likely do not represent the full number of cases in which PPF issued payments to surviving beneficiaries using incorrect identifiers associated with the deceased members. We identified these 11 cases through a limited review of 56,938 benefit recipients' information in PPMS, death match reports for July and August 2019, and the source documents PPF maintained in folders for a small sample of benefit recipients whose identifiers came into question through our review of the PPMS data and death match reports. We have not conducted a comprehensive comparison and in-depth review of the identifiers maintained in PPMS and COPS for all surviving beneficiaries who received payments from PPF during our audit scope period. In fact, the data PPF provided to us for this audit would not support a comprehensive review.<sup>12</sup> Although the data and time currently available do not permit us, as part of this audit, to initiate a comprehensive comparison and in-depth review of all the information PPF maintains regarding its members' designated beneficiaries, a comprehensive review of that

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<sup>11</sup> PPF requested attestations from 150 of 56,938 benefit recipients who received payments during Fiscal Years 2019 and 2020.

<sup>12</sup> The data file PPF extracted from COPS for our audit does not contain personal information for 4,892 of the 4,993 beneficiaries who received payments from PPF during our audit scope period and consequently will not support a comprehensive comparison with the corresponding data in PPMS.

information by PPF is warranted to ensure the information PPF maintains in PPMS is accurate. Inaccurate identifiers for beneficiaries in PPMS impair PPF's system of internal control and affect PPF's ability to administer benefit payments to surviving beneficiaries properly after members die.

In addition, our review of the PPMS data for Fiscal Years 2019 and 2020 found the following conditions:

- One Domestic Relations Order beneficiary was using the retired member's SSN.
- Four benefit recipients, with four different pension numbers, were sharing two SSNs.
- Two benefit recipients are listed in PPMS with the erroneous DOBs of January 1, 1901.<sup>13</sup>
- One benefit recipient is listed with two different birth years: 1949 in PPMS, and 1947 in COPS and the supporting documentation.

PPF is hindered in its ability to conduct accurate and efficient computer-assisted death matches when critical data such as the benefit recipient's name, SSN, and DOB contained in PPMS is not accurate.<sup>14</sup> In addition, incorrect information in PPF's records increases the risks of wrongful payments and fraud.

## Other Issue

### Possible Cost Saving by Centralizing Death-Matching Services

PPF and three other City retirement systems (the New York City Employees' Retirement System, the New York City Fire Pension Fund, and the New York City Teachers' Retirement System) contracted individually with four vendors in total—two of which contracted separately with more than one City retirement system—to obtain computer-assisted death-matching services that supplement the HR-11 SSA Death Match reports generated in PPMS. Because the PPMS death match reports are affected by an inherent data limitation, described previously in this report, the fifth City pension system, the New York City Board of Education Retirement System (BERS), is also researching prospective vendors to obtain similar supplementary death-matching services.<sup>15</sup> The five City systems should consider centralizing their separate procurement efforts for greater efficiency and potential cost savings for their members. Based on our review, each retirement system paid anywhere from \$2,400 to \$25,160 a year for death-matching services from these vendors.<sup>16</sup>

Since the different vendors' sources of information vary by vendor, the data they generated varied as did the cost per search during the period we reviewed. Our review of invoices from the four vendors who contract with the City's retirement systems found that the per record cost ranged from \$0.03 to \$3.20, and that the total cost for the death-matching services the four vendors provided to the City's retirement systems for Fiscal Years 2019 and 2020 was \$109,093. Given

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<sup>13</sup> According to PPF officials, these invalid DOBs were transferred from the legacy pension payroll system to PPMS.

<sup>14</sup> According to PPF's responses received on August 9, 2021, some of the SSN issues had been corrected.

<sup>15</sup> As a result of our audit of BERS' controls over benefit payments, *Audit Report on the Board of Education Retirement System's Controls over the Identification of Improper Benefit Payments to Deceased Recipients* (#FN20-103A), issued June 16, 2021, BERS was informed of the inherent data limitation affecting the HR-11 SSA Death Match reports and is researching potential vendors to provide supplementary death match services.

<sup>16</sup> Since PPF did not use any third-party death match services in Fiscal Year 2019, no payments were made to its death match vendor.

the commonality of the retirement systems' needs for similar death-matching services, it would be in the best interest of PPF to consider coordinating with the City's other retirement systems, and possibly with the City's Financial Information Services Agency (FISA) and its Office of Payroll Administration (OPA), to collectively establish centralized contracts with one or more of the death match vendors to obtain cost effective, comprehensive service.<sup>17</sup> Centralizing this procurement activity with the other pension systems might enable PPF to obtain more comprehensive death match data and cost savings.

## Recommendations

PPF should:

1. Use a third-party death-matching service on a regular basis to timely identify decedents whose deaths are not reported in the SSA's Limited Access Death Master File (LADMF) and consequently may not be identified in the Death Match reports generated through the City Human Resources and Management System (CHRMS).

**PPF Response:** PPF did not directly state whether it agreed with and would implement this recommendation. However, PPF stated, "As mentioned in the audit report we currently use three death match sources to identify members that have passed away while in payment. The SSA Death Match is performed every month. As the auditors are aware, the Police Pension Fund has contracted with Lexis Nexis and NAPHSIS to perform additional death matches. As per the recommendation of the auditors the Fund will start to use these additional services on a more frequent basis to identify members whose deaths are not reported in the SSA Death Match reports."

**Auditor Comment:** Insofar as PPF plans to use its third-party death matching services more frequently to supplement its SSA death match reports, PPF appears to have agreed with this recommendation at least in part. We encourage PPF to fully implement this recommendation by using one or more its third-party death matching services *on a regular basis*.

2. Request attestation affidavits from a broader segment of the overall population of benefit recipients based on risk-assessment criteria, such as benefit recipients whose ages exceed PPF's actuarial benchmarks for life expectancy.

**PPF Response:** PPF did not directly state whether it agreed with and would implement this recommendation. However, PPF stated, "We are currently in the process of a multi-year pension administration system upgrade. Part of the design for that project we are implementing new workflows which would send out affidavit

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<sup>17</sup> FISA and OPA are two City agencies, separately established by Chapters 38 and 39, respectively, of the New York City Charter. Both agencies are now served by a single Executive Director and are sometimes referred to collectively as FISA-OPA. They share administrative responsibility for City payroll systems, including PPMS. See OPA Mission Statement: "FISA-OPA pays the City of New York's employees, retirees, and vendors. We also develop and manage high-performance information technology applications for the City's integrated financial, payroll, timekeeping and human resource systems." <https://www1.nyc.gov/site/opa/about/mission-statement.page> (accessed September 20, 2021). According to the City's adopted budget for Fiscal Year 2022, FISA "maintains the operational integrity of the payroll management system (PMS)." *The City of New York Adopted Budget, Fiscal Year 2022, Expense, Revenue, Contract*, at 145E. The same budget document, at 147E, states that OPA is responsible for, among other things, "maintenance of the integrity and accuracy of the payroll management system (PMS)." On its website, OPA lists PPMS as one of its portals. <https://www1.nyc.gov/site/opa/other-services/portals.page> (accessed September 20, 2021).

requests to a broader population size. We will also address the findings of this audit in the near future by creating a process to broaden our current scope to expand our controls to identify deceased members. Additionally, we will be sending our 'proof of life' affidavits to payees who are over 80 years old in direct response to the recommendation of the audit."

**Auditor Comment:** Insofar as PPF is taking steps to broaden the segment of the overall population from whom it requests affidavits as proof of life and specifically to send them to payees over the age of 80, it appears that PPF is in overall agreement with this recommendation.

3. Send affidavit requests periodically to all benefit recipients who live overseas.

**PPF Response:** PPF did not address this recommendation.

**Auditor Comment:** Properly executing its existing internal control procedures should help PPF detect and prevent improper benefit payments; therefore, we encourage PPF to adhere to those control procedures by sending affidavit requests to all benefit recipients living overseas.

4. Conduct a comprehensive review of beneficiaries' personal information that PPF uses to administer pension payments, including names, SSNs, and/or DOBs, maintained in PPMS and compare it with external records as needed to ensure such information is accurate.

**PPF Response:** PPF did not directly state whether it agreed with and would implement Recommendation #4. However, PPF stated that it would "conduct a comprehensive review of the personal information maintained in PPMS."

**Auditor Comment:** PPF appears to have expressed at least partial agreement with Recommendation #4. We encourage PPF to fully implement this recommendation by combining its planned comprehensive review of the personal information in PPMS with a comparison of the corresponding information in external records as needed to ensure the accuracy of the PPMS information.

5. Correct all SSN and DOB issues that were identified in this report.

**PPF Response:** PPF did not directly state whether it agreed with and would implement this recommendation. However, by stating that it had "addressed [the] majority of the specific cases mentioned in this audit," and would "conduct a comprehensive review of the personal information maintained in PPMS," PPF appears to have agreed that it has a responsibility to correct all such issues and thus to have agreed with the recommendation at least in part.

**Auditor Comment:** We encourage PPF to fully implement this recommendation.

6. Consider coordinating with the City's four other retirement systems, as well as FISA-OPA, to centralize death match service contracts and potentially obtain comprehensive death match data at a lower overall cost.

**PPF Response:** PPF did not directly state whether it agreed with and would implement this recommendation. However, it stated, "We will speak to the other NYC Retirement Systems and review the current contracts to assess if there will be any cost savings recognized by centralizing the death match service contracts."

**Auditor Comment:** PPF partially agreed with this recommendation by stating it would speak with other NYC Retirement Systems and review current contracts for any costs savings. PPF did not address whether it would also coordinate with FISA-OPA as recommended. We encourage PPF to also consider coordinating with FISA-OPA to discuss potential cost savings through centralization of death match service contracts.

## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards, with the exception 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.

In accordance with §13-202 of the New York City Administrative Code, the Comptroller is one of 12 trustees of the PPF Board and is entitled to cast one and one half board votes. The Comptroller sits on the Board through a representative. Neither the Comptroller nor his representative on the Board were involved in audit process.

The scope period of this audit covered Fiscal Years 2019 and 2020 (July 1, 2018 through June 30, 2020).

To achieve our audit objective, we obtained an understanding of PPF's operation by reviewing the Death & Overpayment Workflow, and interviewing PPF officials in regard to its internal controls over: (1) the identification of deceased benefit recipients; and (2) termination and recoupment processes. We also obtained an understanding of COPS that PPF uses to record active and retired members' information. In addition, we reviewed the prior audit report issued by our office on June 28, 2011.<sup>18</sup>

To determine whether the retirees' and beneficiaries' personal information is accurately maintained in PPMS, we compared the personal information maintained in PPMS with the information maintained in COPS and identified the data discrepancies, if any. For the 5,133 benefit recipients (241 members and 4,892 beneficiaries) whose information was not included in the COPS data extraction file PPF provided, we randomly selected 5 members and 5 beneficiaries to be our sample. We then reviewed the supporting documentation to determine whether the personal information of these 10 individuals was accurately maintained in PPMS.<sup>19</sup> We also reviewed and analyzed the SSNs and DOBs in PPMS to identify invalid or duplicate data.

To determine whether PPF sent affidavit requests to members and beneficiaries who live overseas, we extracted a list of individuals who met the criteria in PPMS and compared it to the list of individuals to whom PPF sent the affidavit requests during Fiscal Years 2019 and 2020, and identified the discrepancies, if any. We then randomly selected a sample of 30 individuals from the list and reviewed the affidavits that PPF received and determined whether PPF took the appropriate actions to follow up with the benefit recipients who did not submit affidavits within 90 days, if any, to suspend/terminate the benefit payments.

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<sup>18</sup> *Letter Report on the New York Police Pension Fund's Controls over the Identification of Deceased Individuals Collecting Pension Payments*, Audit #FM11-113AL.

<sup>19</sup> PPF was able to extract active and retired members' information and limited beneficiaries' information from COPS.



To determine whether PPF properly followed up on the deceased recipients identified by various death match reports, we traced all decedents identified in the death match reports for Fiscal Years 2019 and 2020 to a list of decedents in PPMS and reviewed PPF's follow-up actions, if necessary.

In addition, for the four retirement systems that contracted with an outside vendor to provide death-matching services, we obtained an understanding of the scope of service provided by each vendor. We then reviewed and analyzed the vendors' invoices paid during Fiscal Years 2019 and 2020 to determine whether the retirement systems should centralize the death-matching services.

The results of our tests, while not projectable, provide reasonable assurance that we have obtained sufficient, appropriate evidence of PPF's controls over the identification of deceased pensioners and beneficiaries.



## New York City Police Pension Fund

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Kevin Holloran  
Executive Director

November 1<sup>st</sup>, 2021

Marjorie Landa  
Deputy Comptroller for Audit  
Office of the Comptroller

Re: Audit Report on the NYC Police Pension Fund's Controls over Identification of Improper Pension Payments to Deceased Recipients

Below are our management responses regarding to the findings mentioned in the audit report.

### 1. Deficiencies in Death Match Control Procedures

- a. Third Party Death Matching Services - As mentioned in the audit report we currently use three death match sources to identify members that have passed away while in payment. The SSA Death Match is performed every month. As the auditors are aware, the Police Pension Fund has contracted with Lexis Nexis and NAPHSIS to perform additional death matches. As per the recommendation of the auditors the Fund will start to use these additional services on a more frequent basis to identify members whose deaths are not reported in the SSA Death Match reports.
- b. Affidavit Requests - We are currently in the process of a multi-year pension administration system upgrade. Part of the design for that project we are implementing new workflows which would send out affidavit requests to a boarder population size. We will also address the findings of this audit in the near future by creating a process to broaden our current scope to expand our controls to identify deceased members. Additionally, we will be sending out "proof of life" affidavits to payees who are over 80 years old in direct response to the recommendation of the audit.

2. Inaccurate Benefit Recipient Information Maintained in PPMS - We have addressed majority of the specific cases mentioned in this audit and will conduct a comprehensive review of the personal information maintained in PPMS

3. Possible Cost Savings by Centralizing Death-Matching Services – we will speak to the other NYC Retirement Systems and review the current contracts to assess if there will be any cost savings recognized by centralizing the death match service contracts.

  
Kevin Holloran  
Executive Director

  
Stanley Thomas  
Chief Fiscal Officer