



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

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Deputy Comptroller for Audit

Audit Report on the Board of Education
Retirement System's Controls over the
Identification of Improper Benefit
Payments to Deceased Recipients

FN20-103A

June 17, 2021

<http://comptroller.nyc.gov>



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

June 17, 2021

To the Residents of the City of New York:

My office has audited the Board of Education Retirement System's (BERS') controls over the identification of improper payments to deceased recipients to determine whether BERS had adequate controls in place to identify improper benefit payments to deceased recipients. 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.

This audit found that although BERS has established control procedures to identify and prevent improper pension benefit payments to deceased recipients, those procedures may not be sufficient to identify deceased recipients due to deficiencies in the data BERS relies on and weaknesses in its verification process. In addition, the audit found that Pension Payroll Management System (PPMS) and/or Comprehensive Pension Management System (CPMS) did not contain accurate dates of birth (DOB) for 188 benefit recipients, which can result in improper benefit payments.

The audit made the following three recommendations. BERS should: (1) establish additional procedures to address the deficiencies and limitations the audit identified; (2) send affidavit requests periodically to all benefit recipients who are age 85 and older; and (3) notify the City agencies that manage, maintain, and enter data in the City's Payroll Management System and any other relevant payroll system the inaccurate information relating to the DOBs of BERS' members that BERS confirmed as a result of the audit and request that the responsible agencies review the source data and correct the errors as warranted.

The results of the audit have been discussed with BERS officials and their comments have been considered in the preparation of this report. BERS' 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.

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 Board of Education Retirement System's Controls over the Identification of Improper Payments to Deceased Recipients

FN20-103A

EXECUTIVE SUMMARY

The New York City Board of Education Retirement System (BERS) is one of the five New York City (City) retirement systems that provide benefits to their members who have retired as well as to designated beneficiaries of those members.¹ BERS was founded on August 1, 1921 and provides retirement benefits for several categories of employees of the City School District of the City of New York, the City, and other entities. BERS uses the Comprehensive Pension Management System (CPMS) to maintain information concerning active and former members, retirees, and beneficiaries as well as copies of related correspondence and supporting documentation.

BERS processes monthly pension payments through the City's Pension Payroll Management System (PPMS) and terminates them through PPMS after a benefit recipient dies.² BERS identifies a benefit recipient as deceased through the following means:

- Notification from the decedent's family;
- Various death match reports generated through the City Human Resource Management System (CHRMS) and the City's Report Management and Distribution System (RMDS), which in turn rely in part on the U.S. Social Security Administration's (SSA's) Limited Access Death Master File (LADMF);³
- Deceased notices recorded in the City's Payroll Management System (PMS);⁴
- Notification from the decedent's bank; and

¹ The other four retirement systems are: New York City Employees' Retirement System; New York City Fire Pension Fund; New York City Police Pension Fund; and New York City Teachers' Retirement System.

² A benefit recipient can be a retiree or a beneficiary who receives pension benefits after a retiree dies pursuant to the retiree's previously-filed designation or by court order, such as a Qualified Domestic Relations Order.

³ Reports generated through CHRMS and RMDS include: the Death Match Discrepancy Report, the HR11 – SSA Death Match and the Death Date Integrity Report.

⁴ For retirees who were re-employed by the City after their retirements.

- Non-responsiveness to a BERS' mailed request to a benefit recipient to provide a signed and notarized affidavit, also called an attestation, as proof the benefit recipient is alive.⁵

During Fiscal Years 2019 and 2020, BERS paid \$280 million and \$296 million, respectively, to approximately 20,000 benefit recipients.

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

Audit Findings and Conclusion

Although BERS has established control procedures to identify and prevent improper pension benefit payments to deceased recipients, those procedures may not be sufficient to identify deceased recipients. The audit identified two factors that bring the adequacy of the controls into question: (1) the inherent limitation of the SSA's LADMF that BERS relies on as a primary means of identifying recipients who have died; and (2) BERS' practice of applying its principal supplemental control procedure—obtaining affidavits as proof of life—to only a fraction of its total number of benefit recipients.

In addition, we found that PPMS and/or CPMS did not contain accurate dates of birth (DOBs) for 188 benefit recipients, which can result in improper benefit payments. BERS subsequently corrected the DOBs in its CPMS file provided to us.

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

Audit Recommendations

To address these issues, we make the following three recommendations that BERS should:

- Establish additional procedures to address the deficiencies and limitations this audit identified in BERS' current computer-assisted death match reports, including by researching and assessing the availability, coverage, and effectiveness of other death match services offered through government programs and private vendors.
- Send affidavit requests periodically to all benefit recipients who are age 85 and older.
- Notify the City agencies that manage, maintain, and enter data in PMS and any other relevant payroll system of the inaccurate information relating to the DOBs of BERS' members that BERS confirmed as a result of this audit and request that the responsible agencies review the source data and correct the errors as warranted.

Agency Response

BERS agreed to implement all three of the audit's recommendations.

⁵ BERS sends affidavit requests to: (1) a sample of benefit recipients who are 85 years of age and older; (2) benefit recipients who did not cash pension checks for more than three months; and (3) benefit recipients whose mail was returned by the United States Postal Service.

AUDIT REPORT

Background

BERS is one of the five City retirement systems that provide benefits for their members who have retired, as well as to their designated beneficiaries. BERS was founded on August 1, 1921 and provides retirement benefits for civil service employees permanently employed by the City and the City School District of the City of New York, other than those who may retire under the provisions of other retirement laws. BERS currently serves additional members, including provisional and part-time employees of the City Department of Education and employees of participating charter schools. BERS uses the CPMS to maintain information concerning active and former members, retirees, and beneficiaries as well as copies of related correspondence and supporting documentation.

BERS processes monthly pension payments through the City's Pension Payroll Management System (PPMS) and terminates benefit payments in PPMS after a benefit recipient dies. BERS identifies a benefit recipient as deceased through the following means:

- Notification from the decedent's family;
- Various death match reports generated through CHRMS and RMDS;⁶
- Deceased notices recorded in the City's PMS;⁷
- Notification from the decedent's bank; and
- Non-responsiveness to a BERS' mailed request to a benefit recipient to provide a signed and notarized affidavit, also called an attestation, as proof the benefit recipient is alive.

For recipients who were reported as deceased by family members, a bank, or the SSA, BERS will suspend future benefit payments immediately and terminate payments after it receives a death certificate. BERS will also determine whether overpayments were made to the decedents and start the recoupment process, if necessary.⁸ For all other cases in which BERS learns of a probable death of a recipient, BERS will research information in Lexis Nexis and contact the benefit recipients and, if applicable, request a benefit recipient to provide a signed and notarized attestation that the benefit recipient is alive. If BERS is unable to contact a benefit recipient and/or obtain an attestation, BERS will suspend benefit payments.⁹

During Fiscal Years 2019 and 2020, BERS paid \$280 million and \$296 million, respectively, to approximately 20,000 benefit recipients.

⁶ Reports generated through CHRMS and RMDS include: the Death Match Discrepancy Report, the HR11 – SSA Death Match and the Death Date Integrity Report.

⁷ For retirees who were re-employed by the City after their retirements.

⁸ If a member has elected a beneficiary, BERS will contact the beneficiary to initiate the process for the beneficiary to receive the pertinent benefits.

⁹ BERS sometimes obtains a benefit recipient's contact and death status information through Lexis Nexis as well as the contact information for the recipients' relatives or neighbors as additional potential sources of information. Then BERS officials will call the benefit recipient/the benefit recipient's relatives/the benefit recipient's neighbors to verify the benefit recipient's status.

Objective

The objective of this audit was to determine whether BERS 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. 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 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 BERS officials during and at the conclusion of this audit. A preliminary draft report was sent to BERS and was thereafter discussed at an exit conference held on May 11, 2021. On May 27, 2021, we submitted a draft report to BERS with a request for written comments. We received a written response from BERS on June 11, 2021.

In its response, BERS agreed to implement all three of the audit's recommendations.

FINDINGS AND RECOMMENDATIONS

Although BERS has established control procedures to identify and prevent improper pension benefit payments to deceased recipients, those procedures may not be sufficient to identify deceased recipients. The audit identified two factors that bring the adequacy of the controls into question: (1) the inherent limitation of the SSA's LADMF that BERS relies on as a primary means of identifying recipients who have died; and (2) BERS' practice of applying its principal supplemental control procedure—obtaining affidavits as proof of life—to only a fraction of its total number of benefit recipients.

In addition, PPMS and/or CPMS did not always contain accurate DOBs for 188 benefit recipients, which can result in improper benefit payments. While BERS informed us that it has corrected the erroneous DOBs identified through this audit and through a comprehensive review of CPMS records, officials noted that those corrections may be overridden by uncorrected information in City payroll systems when current payroll data is downloaded to CPMS. Accordingly, additional action by BERS is necessary, in coordination with other City agencies, to ensure the preservation of the corrections BERS made and to prevent inaccurate data in City payroll systems from re-contaminating the corrected data in CPMS.

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

Deficiency in Death Match Control Procedures

The internal controls that BERS established may not be sufficient to identify deceased benefit recipients. The two factors, discussed in detail below, that contribute to the deficiency in death match control procedures are: (1) the inherent limitation of the SSA death records that BERS relies on; and (2) the limited affidavit requests that BERS sends to the benefit recipients. The likely insufficiency of BERS' control procedures reduces BERS' ability to identify deceased benefit recipients.

Inherent Limitation of SSA Death Records

BERS is heavily reliant on the death match reports that are generated from the SSA's LADMF as its primary basis for identifying decedents.¹⁰ However, starting November 1, 2011, the LADMF ceased to include what it identified as "protected state death records."¹¹ 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 represent 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 2020.¹² This comparison shows that information concerning over 83 percent of the

¹⁰ A paid subscription to the LADMF can be obtained through the National Technical Information Service. 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.

¹¹ 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.

¹² 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.

deaths reflected in federal health statistics is not provided to BERS through the LADMF, its principal, and ostensibly most comprehensive, means of identifying deceased benefit recipients through computer-assisted death matches.

Using inherently limited death data to identify deceased benefit recipients reduces the effectiveness of that control mechanism, which BERS relies on in cases where recipients' families may not have reported a recipient's death to BERS. As a result, BERS may continue to issue payments in the names of intended recipients who are deceased, and persons not entitled to those payments may collect them.

BERS Sent Affidavit Requests to Only a Fraction of Its Benefit Recipients

BERS has implemented an additional control procedure, consisting of requests for signed and notarized attestations (i.e., affidavits) from benefit recipients who are age 85 and older, to obtain reasonable assurance that those benefit recipients are alive. However, this secondary control measure is limited in scope for two reasons: (1) it excludes recipients who are age 84 and younger, who represented approximately 86 percent of all BERS benefit recipients during our audit scope period; and (2) BERS sent affidavit requests to only a small sample of its benefit recipients who were age 85 and older during our audit scope period, as explained below.

Every year, BERS is required to send requests for attestations to benefit recipients who are age 85 and older; and the attestations the recipients submit in response serve as evidence that they are alive. However, our comparison of the benefit recipients' information maintained in PPMS with the requests BERS sent found that BERS sent its requests for an attestation to only 14 percent of benefit recipients age 85 and older in Fiscal Year 2019 and to fewer than 3 percent of the benefit recipients in that age bracket in Fiscal Year 2020. Table I shows the number of affidavit requests by age bracket, that BERS sent to benefit recipients age 85 and above.

Table I

Affidavit Requests BERS Sent
during Fiscal Years 2019 and 2020

Age Group	Fiscal Year 2019			Fiscal Year 2020		
	# of Benefit Recipients in PPMS	# of Affidavit Requests Sent	%	# of Benefit Recipients in PPMS	# of Affidavit Requests Sent	%
85 – 89	1,544	212	13.7%	1,517	26	1.7%
90 – 94	963	143	14.8%	951	28	2.9%
95 – 99	280	34	12.1%	308	11	3.6%
100 – 104	40	7	17.5%	35	1	2.9%
105 – 109	3	0	0%	3	0	0%
110 – 115	3	1	33.3%	3	0	0%
Total	2,833	397	14.0%	2,817	66	2.3%

According to BERS officials, due to its limited budget, BERS randomly selects only 200 to 250 benefit recipients each year to contact with requests for the attestation-affidavits it uses as a

control measure. However, in selecting its random sample during the audited years, BERS did not adhere to its own target of 200 to 250 requests per year. Instead, in Fiscal Year 2019 BERS sent such requests to nearly 400 recipients, but in Fiscal Year 2020, it sent requests to only 66 recipients, far below its stated target range. Further, by not sending affidavit requests to *all* benefit recipients age 85 and above, BERS further reduces its ability to identify and stop improper benefit payments made to or in the names of decedents and diminishes the effectiveness of this supplemental procedure to identify recipients who have died.

Discrepancies in Dates of Birth for 188 Benefit Recipients

Of 21,481 benefit recipients who received benefit payments during Fiscal Years 2019 and 2020, we found 188 whose DOBs in PPMS did not match the DOBs maintained in CPMS. Table II shows the day range of the discrepancies found.

Table II

Date of Birth Discrepancies

Discrepancy Range	Number of Benefit Recipients
1 to 30 days	17
31 to 99 days	23
100 to 999 days	74
1,000 to 24,771 days	74
Total	188

After we informed BERS of the DOB discrepancies that we found, BERS officials stated that some of these errors may have been caused by the conversion of data from the legacy pension payroll system to PPMS in 2006. According to BERS officials, during the conversion, PPMS might have erroneously assigned a member’s DOB as the DOB of that member’s beneficiary. In addition, BERS officials informed us that BERS has now conducted a comprehensive review of the data in CPMS to correct the erroneous DOBs. However, according to BERS officials, despite that remedial action, the corrected information can sometimes be overridden in CPMS by erroneous information in PMS. In those instances, the member’s CPMS record reverts back to the incorrect data recorded in PMS when BERS downloads current payroll information from PMS to CPMS. According to BERS officials, since BERS has no control of the source of the electronic payroll feed, it cannot, on its own, stop the reoccurrence of such errors.

Considering that each benefit recipient’s DOB maintained in PPMS is a critical data field used in the death match process, BERS took necessary and appropriate action by reviewing and correcting the inaccurate DOBs in CPMS and/or PPMS. BERS needs accurate DOBs in its systems to facilitate accuracy and efficiency in its computer-assisted death matches and its efforts to identify benefit recipients age 85 and above whom BERS asks to complete affidavits as proof of life. Accordingly, we urge BERS to bring the erroneous data that BERS has become aware of through this audit to the attention of the agencies responsible for PMS and any other system that BERS identifies as a source of the erroneous data to prevent further overrides of the corrections BERS has made in CPMS and the re-contamination of BERS’ critical data.

Recommendations

BERS should:

1. Establish additional procedures to address the deficiencies and limitations this audit identified in BERS' current computer-assisted death match reports, including by researching and assessing the availability, coverage, and effectiveness of other death match services offered through government programs and private vendors.

BERS Response: "BERS agrees with this recommendation. We are in the process of identifying third party resources widely used by government agencies to procure accurate Personally Identifiable Information. Target implementation timeline will depend on the completion of extensive research and a thorough procurement process."

2. Send affidavit requests periodically to all benefit recipients who are age 85 and older.

BERS Response: "BERS agrees with this recommendation. In addition to developing the procedures required to accomplish this recommendation, we will need more staff for efficient and effective implementation. Therefore, we have no definite timeline to complete this task."

Auditor Comment: While we understand that BERS has limited resources and may need time to fully implement this recommendation, BERS should consider establishing a written implementation plan with milestones and corresponding target dates, including a scenario for implementing the recommendation with its current staffing level, supplemented if and as necessary with third-party services.

3. Notify the City agencies that manage, maintain, and enter data in PMS and any other relevant payroll system of the inaccurate information relating to the DOBs of BERS' members that BERS confirmed as a result of this audit and request that the responsible agencies review the source data and correct the errors as warranted.

BERS Response: "BERS agrees with this recommendation and will work with relevant agencies on an ad-hoc basis as these data discrepancies are identified. We will contact the relevant agencies and provide proof documents securely so that they can update their data."

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 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 BERS' operation by reviewing the policy and procedures, and interviewing BERS 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 CPMS that BERS uses to record pensioner and beneficiary information and copies of correspondence and supporting documentation. In addition, we reviewed the prior audit report issued by our office on September 7, 2011.¹³

To determine whether the members' and beneficiaries' personal information is accurately maintained in PPMS, we compared the personal information maintained in the PPMS with the information maintained in CPMS and identified the data discrepancies, if any.¹⁴ We also reviewed and analyzed the social security numbers and DOBs in PPMS to identify invalid or duplicate data.

To determine whether BERS sent affidavit requests to members and beneficiaries who were 85 years of age and older, we extracted a list of individuals who met the criteria in PPMS and compared it to the list of individuals that BERS sent the affidavit requests during Fiscal Years 2019 and 2020, and identified the discrepancies, if any. We then randomly selected a sample of 50 individuals from the list and reviewed the affidavits that BERS received and determined whether BERS 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.

To determine whether BERS 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 BERS follow up actions, if necessary.

The results of the above tests, while not statistically projectable to their respective populations, provided a reasonable basis for us to assess and to support our findings and conclusions about BERS' controls over identification of improper payments to deceased benefit recipients.

¹³ *Audit Report on the New York City Board of Education Retirement System's Controls over the Identification of Deceased Individuals Collecting Pension Payments*, Audit #FM11-112A.

¹⁴ The SSA Death Match Report matches each active pension recipient's names, social security number, and DOB with SSA LADMF.



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June 11th 2021

Majorie Landa
Deputy Comptroller for Audit
City of New York Office of the Comptroller
1 Centre Street
New York, NY 10007

Re: Audit Report of the Board of Education Retirement System's Control over Identification of Improper Benefit Payments to Deceased Recipients FN20-103A

The Board of Education Retirement System (BERS) respectfully submits its response to your recommendations as outlined in the Audit Report of the Board of Education Retirement System's Control over Identification of Improper Benefit Payments to Deceased Recipients FN20-103A:

Recommendation #1: "Establish additional procedures to address the deficiencies and limitations this audit identified in BERS' current computer-assisted death match reports, including by researching and assessing the availability, coverage, and effectiveness of other death match services offered through government programs and private vendors."

BERS Response: BERS agrees with this recommendation. We are in the process of identifying third party resources widely used by government agencies to procure accurate Personally Identifiable Information. Target implementation timeline will depend on the completion of extensive research and a thorough procurement process.

Recommendation #2: "Send affidavit requests periodically to all benefit recipients who are age 85 and older."

BERS Response: BERS agrees with this recommendation. In addition to developing the procedures required to accomplish this recommendation, we will need more staff for efficient and effective implementation. Therefore, we have no definite timeline to complete this task.



SANFORD R. RICH
EXECUTIVE DIRECTOR

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Recommendation #3: "Notify the City agencies that manage, maintain, and enter data in PMS and any other relevant payroll system of the inaccurate information relating to the DOBs of BERS' members that BERS confirmed as a result of this this audit and request that the responsible agencies review the source data and correct the errors as warranted."

BERS Response: BERS agrees with this recommendation and will work with relevant agencies on an ad-hoc basis as these data discrepancies are identified. We will contact the relevant agencies and provide proof documents securely so that they can update their data.

Should you have further questions or require additional information, we are available to discuss.

Yours truly,

Daniel Miller

A handwritten signature in black ink, appearing to read "D Miller", written over a white background.

Deputy Executive Director