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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 22, 2021
Mitchell & Titus, LLP
80 Pine Street, 32nd Floor
New York, NY 10005


We are providing this letter in connection with your examination of the internal controls maintained during the period May 1, 2020 through June 30, 2020, for the purpose of expressing an opinion as to whether management's assertion that internal controls are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act" is fairly stated, in all material respects. The significant objectives and relevant controls supporting management's assertion are in the accompanying Appendix A.

We confirm, to the best of our knowledge and belief, as of date of this letter, the following representations made to you during your engagement:

1. We affirm our assertion that internal controls during the period of May 1, 2020 through June 30, 2020, are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act."
2. All relevant matters are reflected in the measurement or evaluation of internal controls maintained during the period of May 1, 2020 through June 30, 2020. Internal controls are adequate to meet the criteria for maintaining internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act."
3. All known matters contradicting management's assertion and any communication from regulatory agencies or others affecting the management's assertion have been disclosed to you, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report.
4. We are responsible for:
 - (a) the maintenance of internal controls and management's assertion regarding the maintenance of internal controls;
 - (b) Selecting the criteria; and
 - (c) Determining that such criteria are appropriate for our purposes.
5. Any known events subsequent to the period of May 1, 2020 through June 30, 2020 that would have a material effect on management's assertion have been disclosed to you.
6. We have provided you with all relevant information and access.

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7. We have responded fully to all inquiries made to us by you during the examination.
8. We have disclosed to you:
 - (a) All deficiencies in internal control relevant to the engagement of which we are aware.
 - (b) Our knowledge of any actual, suspected, or alleged fraud affecting the subject matter of the examination.
 - (c) Our knowledge of any actual, suspected, or alleged noncompliance with laws or regulations affecting maintenance of internal controls.
9. We understand that your examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the Generally Accepted Government Audit Standards and was designed for the purpose of expressing an opinion on the fairness of the presentation of the maintenance of internal controls as established in the "New York State Governmental Accountability, Audit and Internal Control Act", based on your examination, and that your procedures were limited to those that you considered necessary for that purpose.



Colleen Gardner

Executive Deputy Comptroller, New York State and Local Retirement System

Executive Deputy Comptroller New York State and Local Retirement System

**NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT
OBJECTIVES AND RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE
CONTROLS**

DIVISION OF RETIREMENT SERVICES

Objective	Controls
Register employees into the retirement system.	<ul style="list-style-type: none"> ▪ New members are sent a membership packet and employers receive pertinent membership information quickly through the employers' self-service dashboard. ▪ Segregation of duties is maintained. ▪ Indexing of Social Security numbers, birth dates and memberships with similar names to prevent creation of duplicate memberships. ▪ An enrollment case is opened for every employment instance that needs to be captured. There is a process in place to account for all membership applications received via fax. ▪ Verification of members' employment status to ensure eligible employees are registered to membership. ▪ Verification of title to ensure employees are registered in the proper retirement system. ▪ Plan and rate assignments are validated to ensure they are within eligibility criteria.
Determine eligibility and process benefit payments.	<ul style="list-style-type: none"> ▪ Retirement applications are reviewed and approved. ▪ Benefit computations are reviewed. ▪ The Retirement System's database is reconciled to the month-end extract of pension payroll information. ▪ Benefit payments are accurately and properly recorded, authorized and in accordance with provisions in the plan documents. ▪ Benefit payments are made only to eligible participants or designated beneficiaries. ▪ The benefit database is compared to independently provided external sources to match for pensioner deaths. ▪ Loans are accurately and properly recorded and authorized. ▪ Loans are made only to eligible members and are in accordance with the provisions of the plan. ▪ Appropriate segregation of duties is maintained.

**NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT
OBJECTIVES AND RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE
CONTROLS**

DIVISION OF RETIREMENT SERVICES *(continued)*

Maintain the retirement system general ledger and investment accounting records. Process retirement system cash receipts and administrative cash disbursements.

- General ledger investment reconciliations are prepared and reviewed monthly.
- Segregation of duties exists over the Retirement System's database.
- Bank reconciliations are prepared daily for trade settlements and monthly by retirement system accounting.
- The Investment Transaction Unit inputs investment activity into the Common Retirement Fund (CRF) based on authorized trade instructions.
- Failed trades are immediately reviewed and resolved.
- Reconciliations are performed daily, weekly and monthly between the activity reported by the custodian bank and the independently maintained records of the CRF.
- Staff have appropriate training and skills to maintain data at industry standard levels.
- The PeopleSoft database for tax withholdings is reconciled daily to the general ledger.
- Overnight batches are posted, and PeopleSoft subsidiary data is reconciled with general ledger control accounts.
- Journal entries are reviewed, approved, and recorded on a timely basis and substantiated.

Receive payroll information from employers and post information to member accounts. Ensure complete and accurate billing of participating employers for contributions due to the retirement system.

- Supervisory review exists over the input into the Retirement System's database of payroll information received from employers.
- Maintenance controls exist over the Retirement System's database.
- Calculations of actual bills are reviewed for accuracy.
- Collection of bills is monitored.
- Segregation of duties is maintained.
- Monthly batch reports are reconciled to cash deposits or automated clearing house draws.
- Outstanding, unpaid annual bills are reviewed, and employers are contacted.
- Member contributions are posted timely to member

**NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT
OBJECTIVES AND RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE
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DIVISION OF RETIREMENT SERVICES *(continued)*

<p>accounts and are reported annually through member annual statements.</p>	
<p>Extract the data required for the annual actuarial valuation. Compile and approve actuarial assumptions utilized.</p>	<ul style="list-style-type: none"> ▪ An Actuarial Advisory Committee is appointed and annually meets with the Comptroller to discuss all actuarial valuation assumptions and methods. ▪ Information Technology (IT) Services controls exist over data extraction programs. ▪ Investment performance statistics are compiled and reviewed. ▪ Contribution rates, actuarial valuations and assumptions are reviewed and approved. ▪ Annual salary data is distributed to employers for their review. ▪ Appropriate segregation of duties is maintained. ▪ Financial auditors annually examine the actuarial data for reasonableness and completeness. ▪ An annual report including census information and valuation output is provided to the New York State (NYS) Department of Financial Services for their review. ▪ A quinquennial review is performed by an external actuarial firm which examines all actuarial assumptions and methodologies and compliance with actuarial standards of practice. ▪ Office of State Comptroller (OSC) internal auditors periodically review procedures for compliance with OSC internal controls.
<p>Provide programming and technical support for all system applications.</p>	<ul style="list-style-type: none"> ▪ New system implementation and/or change requests are prepared and approved by the requesting Bureau, approved by the requesting Bureau Director with co-bureau authorizations as appropriate, and submitted for division review and approval using a change control methodology. ▪ System modifications are tested and approved by requesting Bureau representatives before migration and confirmed once they go into production. ▪ Controls exist to ensure that only properly tested and approved programs and system objects are migrated

**NEW YORK STATE OFFICE OF THE STATE COMPTROLLER SIGNIFICANT
OBJECTIVES AND RELEVANT INTERNAL ACCOUNTING AND ADMINISTRATIVE
CONTROLS**

DIVISION OF RETIREMENT SERVICES *(continued)*

to the production environment.

- IT Processing and Support is responsible for migrating approved programs and system objects to the production environment.
- With approval from the owning Bureau, the security team is responsible for granting application-level security access.
- Segregation of duties exists to ensure appropriate migration of all changes to production.
- Information Technology Services resources are applied to projects and system support in accordance with the priorities and strategic direction of executive management.