



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

MAURA HAYES-CHAFFE
DEPUTY COMPTROLLER FOR AUDIT

BUREAU OF AUDIT

June 2, 2025

By Electronic Mail

Elizabeth Reyes
Interim Executive Director
New York City Employees' Retirement System
335 Adams Street, Suite 2300
Brooklyn, NY 11201

Re: Final Audit Letter Report on the New York City Employees' Retirement System's (NYCERS) Other Than Personal Services (OTPS) Expenditures (FN24-076A)

Dear Ms. Reyes:

This Final Audit Letter Report concerns the New York City Comptroller's audit of NYCERS' OTPS expenditures and compliance with relevant laws and regulations that govern them.

Background

NYCERS is one of the five New York City retirement systems charged with administering the statutory pension benefits of more than 350,000 active members, retirees, and beneficiaries. NYCERS' members include civilian employees (such as clerical workers, accountants, and social workers) and uniformed employees (such as corrections officers and sanitation workers). NYCERS members may also be employed by certain public benefit corporations, such as the New York City Transit Authority and New York City Health and Hospitals Corporation.

NYCERS is governed by a Board of Trustees (the Board), which consists of 11 members. The Board is responsible for investing the assets of the retirement system, establishing administrative budgets, and implementing the rules and regulations necessary to ensure compliance with applicable laws and policy, which include the New York City Procurement Policy Board Rules (PPB Rules) and Comptroller's Office Directives. NYCERS is a fiduciary of the funds it manages.

For Fiscal Year 2024 (which ended June 30, 2024), NYCERS reported approximately \$101 billion in assets and expended \$130 million in administrative expenses. Of this amount, \$70 million (53.8%) was classified as OTPS expenditures, which are expenses that are not related to employee salaries, wages, or fringe benefits. Examples of OTPS expenditures include, but are not limited to, office supplies, equipment, utilities, travel costs, and payments for contractual services with outside vendors.

The objectives of the audit were to determine whether NYCERS' OTPS expenditures were spent in accordance with NYCERS policies and procedures and other relevant rules and regulations, and whether those expenditures were necessary, reasonable, and well supported by documentation.

Findings

The auditors found that NYCERS' OTPS expenditures were, for the most part, spent in accordance with internal policies and procedures and other relevant rules and regulations, and that those expenditures were necessary and reasonable. However, the audit also found that NYCERS should improve its procedures for approving and documenting OTPS expenditures.

The auditors reviewed a sample of 77 OTPS expenditures incurred during FY2023 and FY2024. The results of these reviews show that:

- NYCERS did not provide purchase orders or contracts for two consultants whose payments totaled \$52,250. NYCERS could not find documentation to substantiate that it properly issued purchase orders or that these purchases were approved in compliance with Section 3-08 of the PPB Rules (governing small or micro-purchases).¹ In response to this finding, NYCERS stated that it improved its compliance in FY2025 and is cross-training staff to ensure that this will not happen going forward.
- NYCERS did not always process payments to vendors in a timely manner. Per Section 4-06 of the PPB Rules, payments to vendors shall be made within 30 days of receiving or accepting the invoice to prevent the incurring of interest on such payments. The auditors found that 33 (43%) of the 77 sampled OTPS invoices were paid more than 30 days after the invoice dates, without justification. In response to this finding, NYCERS stated that vendors were paid late for several reasons, pointing to disputes with vendors, contract amendments, and delays related to COVID, when invoices were not received or partially received, resulting in a backlog. However, NYCERS did not provide documentation to support the occurrences.
- NYCERS processed a payment of \$2,000 using an incorrect purchase order and account number in September 2023; in January 2024, NYCERS paid the same invoice again with the correct purchase order and account information. In response to this finding, NYCERS officials acknowledged that this was a duplicate payment and stated that, going forward, it will ensure that the invoice number is entered into the system before a payment is processed. NYCERS stated that it would reach out to the vendor to determine whether it could obtain a refund or whether the overpayment can be applied to another invoice.

The auditors also found that NYCERS did not consistently comply with Comptroller's Directive #6, which governs expenditures for employee travel, agency-provided meals, and refreshments when conducting official City business. Directive #6 requires employees who attend out-of-town conferences to submit justification for travel, obtain approval, and/or submit post-conference attendance reports (or brief synopses). Of the 30 out-of-town trips (totaling \$54,906) that the auditors reviewed, NYCERS did not provide justification for four employees who attended out-of-town conferences. NYCERS also did not provide justification for expenses that appeared to be unnecessary, such as payments for seats with extra legroom, lodging costs that exceeded the GSA rate, and plane tickets to Washington D.C., instead of Amtrak tickets. Certain expenses for airfare, meals, and transportation also lacked itemized receipts.

In addition, NYCERS appeared not to enforce Directive #6 requirements for trustees who

¹ Small purchases are purchases less than \$100,000 and micro-purchases are purchases less than \$20,000. PPB Rules require the Contracting Officer to issue a purchase order or contract to the successful bidder or offeror for all small or micro-purchases.

attended conferences. NYCERS stated that four trustees who attended six conferences are not required to abide by requirements to obtain approval for travel or provide post-conference synopses.

Recommendations

To prevent potential vendor disputes and unnecessary interest payments due to late payments, the auditors recommend that NYCERS should:

1. Ensure a purchase order or contract is created for all small or micro-purchases.

NYCERS Response: NYCERS agreed with this recommendation.

2. Process payments to vendors within 30 days of receiving the invoices.

NYCERS Response: NYCERS agreed with this recommendation.

3. Ensure the \$2,000 overpayment is recouped from the vendor or otherwise credited to NYCERS' account.

NYCERS Response: NYCERS agreed with this recommendation.

To demonstrate the benefits of attending out-of-town conferences and to increase transparency and accountability, the auditors recommend that NYCERS should:

4. Ensure that all out-of-town travel costs (including but not limited to lodging that exceeds GSA rates and additional legroom charges) are approved.

NYCERS Response: NYCERS agreed with this recommendation.

5. Request and obtain all necessary documents before processing payments and reimbursement to avoid paying unnecessary expenses.

NYCERS Response: NYCERS agreed with this recommendation.

6. Obtain post-travel attendance reports from each person who attended out-of-town conferences to demonstrate how the information learned can be implemented to benefit NYCERS.

NYCERS Response: NYCERS disagreed with this recommendation, stating trustees are not NYCERS employees and do not require formal approval or post-travel reports.

Auditor Comment: The auditors maintain that although NYCERS' trustees are not considered employees, NYCERS should obtain post-travel attendance reports from each person who attended out-of-town conferences.

Scope and Methodology

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires 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 within the context of our audit objectives. This audit also complied with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

- The scope of this audit was July 1, 2022 through June 30, 2024. The auditors took the following steps during the audit: Obtained and reviewed NYCERS' *Annual Comprehensive Financial Reports* (ACFR) for FYs 2023 and 2024; bylaws for the conduct of business of the Board of Trustees; the presentation for the onboarding of trustees; and board meeting minutes related to the conduct of business, audit, and Special & Investment meetings.
- Interviewed NYCERS officials to obtain a detailed understanding of the fiscal review processes, including the preparation of purchase orders, the vendor payment process, and the recording and reporting of OTPS expenditures.
- Obtained an understanding of Sage 300 (the computer-based system used for the procurement, recording, and reporting of OTPS expenditures) by reviewing the system manuals and observing a demonstration of how expenditures are recorded, approved, paid, reported, and summarized.
- Reviewed supporting documents of 50 payments that were randomly selected and 27 high-value payments that were judgmentally selected.
- Reviewed the general ledger transactions for FYs 2023 and 2024 and tested for duplicate payments based on invoice numbers, vendor information, date, and amount.
- Determined the length of time that NYCERS took to make payments based on invoice dates.
- Obtained a list of all out-of-town travel and related expenses for FYs 2023 and 2024 and randomly selected 30 samples for review. The documents reviewed included but were not limited to: (a) approved expense requests; (b) approved out-of-pocket reimbursement requests; (c) itemized receipts, invoices, or folios that support the travel expenses; (d) justification for taking the trip; and (e) program information or brochures.

The results of the above tests provided a reasonable basis for the auditors to support the findings and conclusions in this Final Audit Letter Report.

Preliminary results of this audit were discussed with NYCERS officials during the course of the audit. NYCERS agreed to waive the Exit Conference. On April 18, 2025, a Draft Audit Letter Report was submitted to NYCERS with a request for written comments. Our office received a written response from NYCERS dated May 7, 2025. In its response, NYCERS agreed with five of the audit's findings and recommendations and disagreed with one. The full response is attached to this report as an addendum.

Sincerely,



Maura Hayes-Chaffe

c: Ms. Chun Gong, Director of Finance, NYCERS



May 7, 2025

Maura Hayes-Chaffe
Deputy Comptroller for Audit
Office of New York City Comptroller Brad Lander
1 Centre Street
New York, NY 10007

Dear Maura Hayes-Chaffe,

The following is in response to the recommendations by the New York City Office of the Comptroller, in the Draft Audit Letter Report made available on April 18, 2025, pertaining to the audit of the New York City Employees' Retirement System's ("NYCERS") Other Than Personal Services (OTPS) Expenditures (FN24-076A).

"To prevent potential vendor disputes and unnecessary interest payments due to late payments, the auditors recommend NYCERS should:

1. Ensure a purchase order or contract is created for all small or micro-purchases."

Response: Going forward, NYCERS will ensure all procurement requests are handled exclusively by the Procurement Unit. Doing so will ensure that Purchase Summaries are created, and the appropriate approvals/signatures are obtained prior to requesting purchase orders. All completed purchase orders will be sent back to procurement for disbursement to the vendors, which will allow the procurement team to ensure applicable signatures are obtained and the correct dollar amounts are allocated. In addition, Procurement will remain focused on ensuring compliance with PPB Rule 3-08, which governs small or micro-purchases.

2. "Process payments to vendors within 30 days of receiving the invoices."

Response: The preponderance of NYCERS invoices (approx. 95%) are immediately processed upon receipt. There are, however, some invoices that are not paid within thirty days for a few reasons, principally because of suspected fraud. In those instances, due diligence is performed to ensure both the invoice



and the information contained therein is legitimate. Other factors that may delay payment include incomplete projects and deliveries and invoice discrepancies. Procurement and Administration will continue to make every effort to adhere to the PPB Rule Section 4-06.

As noted in the initial response to the audit request, the majority of these invoices are specific to one vendor, which has been problematic and inconsistent in their invoicing. This is a common issue with multiple other City agencies and has required the Law Department involvement to sort out the invoicing and payments between City agencies and the vendor.

3. "Ensure the \$2,000 overpayment is recouped from the vendor or otherwise credited to NYCERS' account."

Response: Administration is currently working with the vendor to recoup the \$2,000 overpayment. Once resolved, NYCERS will receive a credit memo or have the credit applied to a future invoice.

"To demonstrate the benefits of attending out-of-town conferences and to increase transparency and accountability, the auditors recommend that NYCERS should:

4. Ensure that all out-of-town travel costs, including but not limited to lodging that exceed GSA rates and additional leg room charges, are approved.
5. Request and obtain all necessary documents before processing payments and reimbursement, to avoid paying unnecessary expenses.
6. Obtain post-travel attendance reports from each person who attended out-of-town conferences, to demonstrate how the information learned can be implemented to benefit NYCERS."

Response:

NYCERS recognizes the importance of transparency, accountability, and strict adherence to City directives. We are committed to improving our internal processes to ensure full compliance with Directive #6 going forward.

As of February 2025, NYCERS implemented an electronic workflow for travel requests and reimbursements. This process ensures consistent use of the "Request to Attend" memo and reimbursement templates, while requiring supporting documentation to be uploaded for each request.

In response to the audit recommendations, NYCERS will take the following actions:

1. Strengthen Compliance with Directive #6

- All travel arrangements, including lodging that exceeds the GSA rate, must be supported by written justification and receive pre-approval.
- Conference attendees will be required to submit screenshots of hotel options considered for the conference dates. These must demonstrate either:
 - That available hotel rates exceeded the GSA limit, or
 - That although lower-cost accommodations were available, the total cost (including transportation) would have exceeded the cost of the conference hotel.

2. Pre-Payment Verification

- NYCERS has adopted an electronic pre-approval and reimbursement process.
- The reimbursement form mandates submission of complete documentation, including itemized receipts, travel justifications, and approval memos, prior to reimbursement processing.

3. Trustee Participation in Conferences

- Trustees are not NYCERS employees and are governed by Board Rule 3, which does not require formal approval or post-travel reports.
 - When Trustees notify NYCERS of their interest in attending a conference or training, staff reviews the agenda to ensure the subject matter is relevant to their fiduciary role.
 - NYCERS also informs Trustees of the travel and reimbursement limitations outlined in Board Rule 3 prior to attendance.

4. Reinforcement of Reimbursement Standards for Employees and Trustees

- NYCERS will continue to emphasize that only necessary and appropriately documented expenses will be reimbursed.
- Itemized receipts are required for reimbursement, with the understanding that some minor charges, such as hotel tips, may not generate receipts. These minor expenses are reviewed to ensure they remain within reasonable and acceptable limits.

We thank the audit team for their thoughtful review and recommendations. NYCERS remains committed to the responsible stewardship of public funds and will continue to strengthen its internal controls to uphold the highest standards of fiscal responsibility.

Sincerely,

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Elizabeth Reyes
Interim Executive Director

5/7/2025