



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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DEPUTY COMPTROLLER FOR AUDIT

BUREAU OF AUDIT

June 27, 2025

By Electronic Mail

Kevin Holloran
Executive Director
New York City Police Pension Fund
233 Broadway, 25th Floor
New York, NY 10279

Re: Final Audit Letter Report on the New York City Police Pension Fund's Other Than Personal Services Expenditures, FM24-087A

Dear Mr. Holloran:

This Final Audit Letter Report concerns the New York City Comptroller's audit of the New York City Police Pension Fund's (PPF) Other Than Personal Services (OTPS) expenditures and compliance with relevant laws and regulations that govern them.

Background

PPF is one of the five New York City retirement systems providing benefits to full-time uniformed employees of the New York City Police Department. PPF is responsible for administering the pension benefits of more than 90,000 active members, retirees, and beneficiaries.

PPF is governed by a Board of Trustees (the Board), which consists of 12 members. The Board is responsible for investing the assets of the pension fund and establishing the rules and regulations for administering the Fund and its business transactions. The Board consists of the Police Commissioner; a representative of the Comptroller; a representative of the Mayor; the Commissioner of Finance; the President, first and second Vice Presidents, and Chairperson of the Police Benevolent Association; and the Presidents of the Captains Endowment Association, the Lieutenants Benevolent Association, the Sergeants Benevolent Association, and the Detectives' Endowment Association.

To properly execute its mission, PPF must responsibly steward City funds. This includes compliance with City regulations and applicable guidance, including Comptroller's Directive #1 – Principles of Internal Control, and Comptroller's Directive #6 – Travel, Meals, Lodging, and Miscellaneous Agency Expenses. Each of these directives has been issued pursuant to the Comptroller's authority in Chapter 5 §93(h) and §93(m) of the New York City Charter.

According to the Fiscal Year 2024 Annual Comprehensive Financial Report (ACFR), PPF administrative expenses totaled \$34 million, which included \$15.7 million in OTPS expenditures.¹

The objectives of this audit were to determine whether PPF's OTPS expenditures were spent during FYs 2023 through 2024 in accordance with its policies and procedures and other relevant rules and regulations, and the expenditures were necessary and related to its mission.

Audit Findings

The auditors found that PPF's OTPS expenditures were, for the most part, spent in accordance with internal policies and procedures and other relevant rules and regulations, and were necessary and related to its mission. However, the auditors also found several weaknesses in PPF's controls over its OTPS expenditures that could be improved.

During FYs 2023 and 2024, PPF paid \$69,814 for three leased vehicles and related expenses, including lease payments, insurance, and repair costs for the Executive Director, Deputy Executive Director, and Chief Information Officer. PPF officials stated that the vehicles are used to attend business meetings and transport items to and from the Fund's headquarters and an offsite Disaster Recovery location. Internal Revenue Service (IRS) Publication 15-B *Employer's Tax Guide to Fringe Benefits* states that the employee must account for the business use of a vehicle to their employer and substantiate its usage by noting the time, place, and the business purpose of travel. Additionally, as best practice, the Department of Citywide Administrative Services (DCAS) *Fleet Management Manual* requires City agencies to obtain pre-approval in writing when operating City vehicles.

However, PPF did not maintain this required documentation. On their Employee Vehicle Tax Forms filed for 2023 and 2024, the Executive Director, Deputy Executive Director, and Chief Information Officer reported that they used leased vehicles for business purposes between 12% and 52% of the time. In the absence of required documentation, PPF and the audit team cannot be reasonably assured that vehicle use and related taxable fringe benefit amounts reported to the IRS are accurate.

Because PPF meetings are held at their headquarters and there is limited need to travel offsite to disaster recovery locations, the leased vehicles are not economical and necessary to PPF's mission. The City's other four pension funds do not lease vehicles for their executives.

For FYs 2023 and 2024, the auditors reviewed a sample of 67 transactions. The results of the auditors' review show that:

- PPF paid \$4,009 in Sales Tax on five sampled invoices issued by two vendors. However, PPF is exempt from paying New York State Sales Tax. Both vendors billed PPF monthly throughout the audit scope period. After the audit team discussed this issue with PPF officials, they informed the two vendors that the fund is a tax-exempt entity and sought to recoup sales tax payments. One of the two vendors stated that it would credit PPF for

¹ OTPS expenses are any operating expenditures 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 contractual services with outside vendors.

prior sales tax payments. PPF consulted with its General Counsel and the Law Department for guidance on recouping payments from the other vendor.

- PPF did not always process payments to vendors in a timely manner. According to Procurement Policy Board Rules §4-06, payments to vendors shall be made within 30 days of receiving or accepting the invoice to prevent incurring interest on such payments. Within the audit team's sample, there were 64 OTPS invoices, of which nine (14%) were paid more than 30 days after the invoice dates without justification. In its formal written response, PPF officials stated that the accounts payable unit was short staffed when these invoices were paid, which may have contributed to this issue.
- PPF did not report expenditures on an accrual basis as required, instead reporting on a cash basis. According to Generally Accepted Accounting Principles (GAAP), accrual accounting ensures revenues and expenses are recorded in the period they are earned and incurred, respectively, and that financial statements reflect the economic activity of a business. Without reporting OTPS expenditures on an accrual basis, the stakeholders may be unable to make informed decisions. In its formal written response, PPF officials stated that cited OTPS expenditures were immaterial relative to its total assets but recognized the importance of consistency and compliance in all financial reporting.

The auditors also found that PPF did not maintain required documentation for out-of-town travel expenses totaling \$31,710. Comptroller's Directive #6 governs expenditures for employee travel, agency-provided meals, and refreshments when conducting official City business. This directive states that employees who attend out-of-town conferences must submit justification for travel, obtain approval, and/or submit post-conference attendance reports. PPF did not maintain such documentation for any of the nine out-of-town trips that the auditors reviewed.

In addition, PPF improperly reimbursed \$2,473 to employees, including \$2,366 for hotel charges for which PPF paid more than 150% of the U.S. General Services Administration allowable rate and for additional nights stayed prior to or after the conference. PPF also reimbursed employees \$76 for extra legroom on the airplane and \$31 for unsubstantiated claims.

PPF does not have internal policies and procedures related to travel expenses. Therefore, there was little to no oversight or restrictions on expenses incurred during out-of-town travel.

Recommendations

To address the findings, the auditors recommend that PPF should:

1. Ensure its OTPS expenditures are economical and necessary to its mission.

PPF Response: PPF did not explicitly agree or disagree with this recommendation. PPF stated that "the operational need for leased vehicles remains valid and integral to our mission." Further, PPF stated that since the "board of trustees approves our budget we feel that our expenditures are economical and necessary to our mission, but we will review our OTPS expenditures and make changes if we deem it to be necessary."

Auditor Comment: PPF should ensure that all OTPS expenditures are spent in accordance with its policies and procedures and other relevant rules and regulations, and that expenditures are necessary and related to its mission.

2. Reevaluate PPF's vehicle use policies in light of general City requirements and ensure each business use of leased vehicles is documented, noting the time, place, and business purpose of the travel.

PPF Response: PPF agreed with this recommendation.

3. Ensure it is informing vendors of its Sales Tax exemption status and exclude Sales Tax from any payments.

PPF Response: PPF agreed with this recommendation.

4. Review and recoup all prior payments that included Sales Tax.

PPF Response: PPF agreed with this recommendation.

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

PPF Response: PPF did not agree or disagree with this recommendation, stating that it will review its current accounts payable processes and see if they can make any improvements.

Auditor Comment: PPF should pay invoices within 30 days to ensure that vendors are paid in a timely manner, prevent service disruptions, and avoid paying interest and penalties.

6. Accurately report OTPS expenditures in the period the expenses are incurred.

PPF Response: PPF did not agree or disagree with this recommendation, stating that it will review its current financial reporting processes and make any necessary changes that they deem material and may impact its stakeholders.

Auditor Comment: PPF should ensure that all OTPS expenditures are accurately reported in the period expenses are incurred, in accordance with GAAP requirements.

7. Create an internal travel policy that outlines the process for requesting, approving, funding, and reimbursing travel expenses in compliance with Comptroller's Directive #6.

PPF Response: PPF agreed with this recommendation

8. Ensure all out-of-town travel expenses are economical, necessary, and in accordance with Comptroller's Directive #6.

PPF Response: PPF did not agree or disagree with this recommendation, stating that it will review its current out-of-town travel processes and see if they can make any improvements.

Auditor Comment: PPF should ensure that all out-of-town travel is in accordance with Comptroller's Directive #6 and maintain required documentation for out-of-town travel expenses.

Recommendations Follow-up

Follow-up will be conducted periodically to determine the implementation status of each recommendation contained in this report. Agency reported status updates are included in the Audit Recommendations Tracker available here: <https://comptroller.nyc.gov/services/for-the-public/audit/audit-recommendations-tracker/>

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 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 Comptroller is one of the 12 PPF Board members by virtue of his office. The Comptroller sits on the Board through a designated representative. Neither the Comptroller nor his representative on the Board were involved in the audit process.

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 PPF's ACFR and accounting records for FYs 2023 and 2024, and board meeting minutes related to the conduct of business, audit, and investment meetings.
- Interviewed PPF officials to obtain a detailed understanding of the fiscal review processes, including the approval of purchase requisitions, the preparation of purchase orders, the vendor payment process, and the recording and reporting of OTPS expenditures.
- Reviewed FYs 2023 and 2024 supporting documents for 50 expense items that were randomly selected and 12 expense outliers that were judgmentally selected.²
- Reviewed supporting documents for five bank debits that were randomly selected. The audit team reviewed July to September 2024 for any subsequent payments.
- Determined the length of time PPF took to make payments based on the invoice dates.
- Reviewed all purchase card statements for FYs 2023 and 2024.
- Judgmentally selected all out-of-town travel expenses for FY2024, the most recent fiscal year within our audit scope, for review. The documents reviewed included but were not limited to: (a) approved out-of-pocket reimbursement requests; (b) itemized receipts and invoices that support the travel expenses; and (c) program information or brochures.
- Judgmentally selected all expenses related to fund-leased vehicles for FYs 2023 and 2024 and reviewed supporting documents.

² The outliers are non-standard or high-risk data points that significantly deviate from all other data points within a sample.

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 PPF on May 16, 2025. PPF agreed to waive the Exit Conference. On May 30, 2025, a Draft Audit Letter Report was submitted to PPF with a request for written comments. Our office received a written response from PPF on June 13, 2025. In its response, PPF agreed with four of the audit's recommendations. PPF did not explicitly agree or disagree with the remaining four recommendations, instead stating that it will review processes and either "see if we can make any improvements" or make changes that it deems necessary or material. The full response is attached to this report as an addendum.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Maura Hayes-Chaffe", followed by a horizontal line.

Maura Hayes-Chaffe

c. Robert Sens-Castet, Deputy Executive Director, New York City Police Pension Fund
Stanley Thomas, Chief Fiscal Officer, York City Police Pension Fund



New York City Police Pension Fund

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Kevin Holloran
Executive Director

June 12th, 2025

Maura Hayes-Chaffe
Deputy Comptroller for Audit
Office of the Comptroller
One Centre Street,
New York, NY 10007

Dear Ms. Hayes-Chaffe,

Below are our management responses regarding the findings and recommendations mentioned in the OTPS draft letter report dated May 30th, 2025.

Leased Vehicles Finding Response:

The New York City Police Pension Fund ("PPF" or "the Fund" or "the agency") is a non-mayoral agency and our board of trustees reviews and approves our budget. We acknowledge the importance of maintaining proper documentation and adhering to IRS and City guidelines regarding the use of leased vehicles.

The leased vehicles in question have been obtained to fulfill essential operational needs of the Fund, including but not limited to:

- Attending inter-agency and stakeholder meetings that are critical to the Fund's ongoing operations. These meetings are often in route to the office or commuting back home.
- Transporting sensitive and/or bulk materials between the Fund's headquarters and its offsite Disaster Recovery location, an integral function in ensuring business continuity and readiness in the event of system disruptions.
- Vehicles are readily accessible during emergencies or peak operational periods.

We are committed to ensuring transparency, compliance, and responsible use of agency resources. While there were documentation deficiencies during the audited period, the operational need for leased vehicles remains valid and integral to our mission.

Sales Tax Finding Response:

PPF acknowledges the audit finding regarding the payment of sales tax to two vendors despite our tax-exempt status. We recognize the importance of exercising fiscal oversight and ensuring compliance with our exemption from sales tax under applicable laws and regulations.

As mentioned in the finding, one of the vendors has already confirmed that it will issue a credit to the agency for the previously paid sales tax. We are actively coordinating with this vendor to apply the credit toward future invoices or obtain a direct reimbursement. For the second vendor, where a credit or reimbursement has not yet been secured, the agency is working in coordination with our General Counsel. This includes a legal review of our rights under the terms of the vendor agreement and applicable tax regulations to determine the most effective course of action for recovering the overpaid tax. Once we determine the appropriate action, we will implement it.

Late Payments Finding Response:

While the finding states 9 out of 64 sampled OTPS invoices were paid more than 30 days after the invoice date, invoices may have multiple reasons on why they were paid late, some of which may be outside the control of our agency. Another thing to note, the accounts payable unit was short staff when these invoices were paid, which may have led to this issue as well. We will review our current accounts payable processes and see if we can make any improvements.

Accrual Basis Finding Response:

The use of cash basis reporting for OTPS expenditures did not occur during the entire audited period and was due primarily to operational constraints in capturing and processing year-end accrual entries for lower-dollar-value expenditures. However, it is important to note that the OTPS expenses referenced in the draft letter report represent less than 1% of the agency's overall assets. As such, its impact on the agency's overall financial statements and decision-making utility is immaterial. The agency consistently applies accrual-based accounting in all significant areas of financial reporting, particularly in the management and reporting of investment activities, which represent the majority of our financial transactions and asset base. We believe this ensures stakeholders are provided with accurate, reliable, and timely information necessary for making informed decisions.

The agency is committed to maintaining high standards of financial transparency and accountability. While the specific OTPS expenditure noted in the draft letter report were immaterial relative to our total assets, we recognize the importance of consistency and compliance in all areas of reporting. We will review our internal process and take appropriate action, but we remain confident that our stakeholders will continue to receive the information necessary to make well-informed decisions.

Out-of-Town Finding Response:

The travel in question was conducted in support of the agency's mission and involved attendance at industry conferences, training sessions, and meetings that were directly relevant to staff roles and agency operations. However, the agency acknowledges that in several instances during the audit period, documentation requirements—such as formal travel justifications, pre-approvals, and post-conference reports—were not fully maintained. Policies and procedures may not be formal, but they are in place and there is oversight.

To address these issues the agency will issue internal travel guidelines that meet the agency's mission and standards. The agency is committed to responsible stewardship of public resources. While the travel expenditures incurred were legitimate and mission-aligned, we recognize that proper documentation is critical for compliance and transparency.

Recommendations Responses:

1. *Ensure its OTPS expenditures are economical and necessary to its mission.*

Based on the fact that our agency is a non-mayoral agency and that our board of trustees approves our budget we feel that our expenditures are economical and necessary to our mission, but we will review our OTPS expenditures and make changes if we deem it to be necessary.

2. *Reevaluate PPF's vehicle use policies in light of general City requirements and ensure each business use of leased vehicles is documented, noting the time, place and business purpose of the travel.*

We will reevaluate our business needs for our current vehicles and take any necessary actions. We will also work on creating a formal agency vehicle use policy.

3. *Ensure it is informing vendors of its Sales Tax exemption status and exclude Sales Tax from any payments.*

PPF will review its internal AP procedures and ensure all vendors are informed of the its sales tax exemption status and exclude sales tax from any payments

4. *Review and recoup all prior payments that included Sales Tax.*

PPF will work on recouping all prior payments that included sales tax from the vendors mentioned in the draft letter report to the best of our abilities.

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

We will review our current accounts payable processes and see if we can make any improvements.

6. *Accurately report OTPS expenditures in the period the expenses are incurred.*

We will review our current financial reporting processes and make any necessary changes that we deem material and may impact our stakeholders.

7. *Create an internal travel policy that outlines the process for requesting, approving, funding and reimbursing travel expenses in compliance with Comptroller's Directive #6.*

PPF will create an agency travel policy.

8. *Ensure all out-of-town expenses are economical, necessary, and in accordance with Comptroller's Directive #6.*

We will review our current out-of-town travel processes and see if we can make any improvements.



Kevin Holloran
Executive Director



Stanley Thomas
Chief Fiscal Officer